

CITY OF SANTA BARBARA
AFFORDABLE HOUSING
POLICIES AND PROCEDURES
JUNE, 2010



**AFFORDABLE HOUSING POLICIES AND PROCEDURES
OF THE CITY OF SANTA BARBARA**

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EXECUTIVE SUMMARY

Santa Barbara has actively promoted the creation and preservation of affordable housing in the City for many years. As a result, over 8 percent of the dwelling units in the City are considered to be affordable for the long-term.

Funding: The City has provided \$119.6 million in grants and loans for affordable housing. The sources of City affordable housing funding include the City's Redevelopment Agency, federal HOME funds and federal Community Development Block Grant funds. Not all affordable housing receives City financial assistance; the City's density bonus program and inclusionary housing ordinance are designed to create affordable housing without City financial assistance.

What is Meant by Affordable? Housing costs are considered to be affordable if they don't exceed a specified percentage of the household's income. Renter households should not be required to pay more than 30% of their gross monthly income on rent and utilities, and owner households should not pay more than 35% on house payments, homeowners' association dues, insurance and property taxes. Also, the unit must remain affordable to subsequent renters or owners by means of recorded long-term affordability controls.

Area Median Income (AMI): The City uses the "Area Median Income" as a basis for calculating the maximum rents and maximum sale prices permitted under the City's affordable housing programs. The U.S. Department of Housing and Urban Development (HUD) publishes AMIs for areas across the country each year; our applicable area is Santa Barbara County. The AMI for Santa Barbara County (including the City of Santa Barbara) as of May, 2010, is \$71,400. That corresponds to the median income for a household of four. AMIs are adjusted by household size.

Income Categories: The City's affordability requirements refer to the following income categories: very-low income, low income, moderate income, middle income and upper-middle income. The income ranges for the very-low and low income categories are set by HUD. All income categories are adjusted by the number of people in the household. Target Income: It would be impractical for the City to set affordable rents or sale prices based on the *actual* income of each household. Instead, affordable rents and sale prices are based on the *target income* for the income category which the unit is meant to serve. For example, low income rentals are generally targeted to households with incomes at 60% of the AMI; moderate income condos are targeted to 100% of the AMI; middle income condos are targeted to 120% of the AMI, and upper-middle income condos are targeted to 160% of the AMI.

Please note the distinction between *target incomes* and *income categories*: Income categories are used to determine who is eligible to rent or buy an affordable unit; target incomes are used to set the rents or sale prices. For example, for the purpose of setting the affordable sale price of middle income condos, the City uses a target income of 120% of AMI, but households will be eligible to buy if their income does not exceed the City's middle income limit of 160% of AMI.

Unit Size Adjustment: It would also be impractical for the City to base rents and sale prices on the actual number of people in each household. Instead, the calculations for rents and sale prices include a *unit size adjustment* for the number of bedrooms in the unit. This reflects the fact that larger units are generally occupied by larger households with a higher qualifying income range.

Affordability Requirements for Low Income Rental Units: For a two-bedroom low income rental unit (with a target income of 60%), the affordable rent would be \$999 per month. This maximum rent assumes that the landlord pays all utilities. If the tenant is required to pay some or all of the utilities, the maximum rents are reduced according to a “utility allowance” table. To assure compliance with the recorded affordability conditions, the City requires every owner of rent-restricted units to file reports with the City annually and upon each change in occupancy.

Affordability Requirements for Ownership Units: The initial maximum sale price for affordable sale units is determined according to a formula. The basic concept is simple: the price must be such that, after a 10% down payment, the monthly payments for all housing expenses will not exceed 35% of a buyer's income. Housing expenses include mortgage payments, taxes, insurance and homeowner association fees. For example, the City’s policies assume that a middle income household buying a two-bedroom unit can afford monthly housing costs of \$2,249. Plugging this into the City’s formula results in an affordable sale price of \$297,300. The price calculation is sensitive to changes in mortgage interest rates. The initial sale prices are set at the date of Planning Commission approval of the project.

Affordability Covenant: To assure long-term affordability to subsequent buyers, the City requires that an affordability covenant be recorded against each affordable ownership unit. When the owner-occupant wishes to re-sell the unit, the City approves the buyers’ eligibility and calculates the maximum resale price. In most cases this will be the price paid by the owner, increased by the percentage increase in AMI since the owner bought the unit.

Density Bonus: The City also has a density bonus program pursuant to state law and the City’s own ordinance. Through density bonus the City allows development of a greater number of units than would normally be allowed under the existing zoning. In return, some or all of the units on the site are subject to affordability restrictions. The City has approved 502 density bonus units in 82 projects.

State Density Bonus: State density bonus law requires that, for housing developments of five or more units, communities must provide a density bonus (and other benefits) if a developer proposes to provide a specified percentage of the units as affordable.

City Density Bonus: To encourage a broader range of affordable housing types and targeting than specified in state law, the City has developed its own density bonus program. For ownership developments, the City may approve a density bonus on the condition that all density bonus units are affordable *for sale to middle-income* homebuyers. For rental projects that do not meet the requirements of state law, the general requirement under the City’s program is that all density bonus units must be rented to low income households at affordable rents for at least 90 years.

Inclusionary Housing Ordinance: In 2004, the City adopted an Inclusionary Housing Ordinance that requires, in projects where there are 10 or more ownership units (excluding any density bonus units), that at least 15% of the units be sold at prices affordable to middle-income buyers. The ordinance specifies that the developer shall be entitled to a density bonus for the required inclusionary units, subject to some limitations. The ordinance applies to condominium conversions, but does not apply to rental projects. In 2009, the ordinance was amended to apply to ownership projects of 2 through 9 units as well as projects of 10 or more units. Projects of 2

through 9 units are generally required to pay a pro-rated in-lieu fee for each unit. There is no requirement that projects of this size provide an inclusionary unit, and no entitlement to a density bonus.

Minimum Unit Sizes for Affordable Units: To assure livability for the targeted household size, the City requires that affordable housing units have certain minimum floor areas. This minimum size is larger for ownership units than for rental units.

Conclusion: This Executive Summary is a brief overview of the City's affordable housing policies. For more information, please refer to the complete text.

AFFORDABLE HOUSING POLICIES AND PROCEDURES OF THE CITY OF SANTA BARBARA

PREFACE

This handbook sets forth the City's affordable housing policies and procedures as adopted by the Santa Barbara City Council; these policies and procedures are implemented by the City's discretionary bodies and staff in furtherance of the City's goal of encouraging the development and preservation of housing that is affordable to a wide range of targeted households. This handbook includes detailed descriptions of the formulas for setting maximum rents and sale prices and for determining affordability requirements for projects providing inclusionary units or receiving density bonuses. The target readership includes the Planning Commission, Planning staff, and housing developers and providers. For information about sources and availability of loans and grants for housing for low and moderate income households please contact Housing Programs staff.

I. INTRODUCTION

Santa Barbara residents enjoy a beautiful environment bordered by mountains and seashore, clean air and temperate climate, and a charming ambiance. But this jewel of a City exacts a high price from those who live here. Housing costs are among the highest in the nation.

The housing problem is one that affects the average resident of this City. Because the situation has reached a proportion where moderate and middle income residents are affected, there are immediate as well as long term effects. Low income elderly on fixed incomes, low income single parent households on public assistance, and low income persons such as the disabled with special housing needs often have no choice but to live in overcrowded and substandard situations on a budget that is so stretched that basic food and clothing necessities may be foregone. Because of the tight housing market, landlords can choose "preferable" tenants and, therefore, not rent to families with children or to those requiring modifications in the unit for handicapped accessibility. Further, the City faces a situation in which households of all income groups are leaving Santa Barbara. Young families in particular are leaving the area. Skilled workers leave for communities with higher paying jobs and more reasonable housing costs. If housing costs continue to rise beyond the means of many residents, the character of Santa Barbara which provides for a variety of social and economic groups will be seriously threatened.

The City Council has made a commitment to address the City's housing problems to the extent feasible by implementing the policies and strategies of the Housing Element of the General Plan, which is the City's housing policy document and which sets forth the City's action program for housing. One of the central goals identified in the Housing Element is the availability of affordable housing for all social and economic segments of the community.

II. THE CITY'S AFFORDABLE HOUSING ACTIVITIES

The City has implemented a comprehensive program to encourage the preservation or construction of affordable housing. Santa Barbara's housing program consists of several activities. Through most of these activities the City provides financial and/or land use incentives

to a developer in exchange for a recorded agreement that some or all of the housing units will remain affordable to a certain income group (for example, "low income" or "moderate income") for a specified number of years.

As of June, 2010, there are over 5,200 affordable (or assisted) housing units and shelter/group home beds in the City, in the following categories:

• Units with Recorded Affordability Agreements (or which are Owned by non-Profit Sponsors):		
Senior Rental	1,142	
Rental – not senior-only	1,363	
Ownership	335	
Resident-owned Mobilehome Park Spaces	70	
Secondary Dwelling Units	<u>10</u>	
Subtotal of Units with Affordability Agreements:		2,920
• Section 8 Certificates and Vouchers currently in use (1,980 less 605 included in unit counts above)		
	<u>1,375</u>	
Subtotal with Affordability Agreements plus Section 8 Vouchers:		4,295
• Single-family Owner-occupied Rehabilitation	574	
• Beds in Group Homes or Shelters	416	

Total Number of Affordable and Assisted Units and Beds in the City: **5,285**

Eight percent (2,920) of the 37,000 dwelling units in the City are considered to be affordable for the long-term (*i.e.* are subject to recorded long-term affordability controls, or are owned and operated by a non-profit housing sponsor). Another 3.6% (1,375) are units where the tenants pay affordable rents under the Housing Assistance Voucher program¹ (and not included in the 8% counted above). When we add the units occupied by low-income homeowners who have received City loans and grants to repair their homes, plus the number of beds in group homes and shelters, the total number of affordable and assisted housing units (5,285) comprises 14% of the City's housing.

The City Housing Program provides assistance to affordable housing in several ways, including through providing loans and grants to developers of affordable housing, and through granting of density bonuses.

A. City Financing through Grants and Loans

Between 1973 and present, the City has provided over \$119 million in grants and loans for affordable housing. This funding can be grouped into the following categories:

¹ operated by the Housing Authority of the City of Santa Barbara (a separate entity that works closely with the City).

- Housing Rehabilitation Loan Program

Through its Housing Rehabilitation Loan Program (HRLP) the City provides low-interest loans for the rehabilitation of existing housing units in need of repair or seismic retrofitting. This effort assures the preservation of safe, attractive and affordable housing. Since 1976, the HRLP has loaned and granted \$33.3 million, and has rehabilitated 574 owner-occupied homes and 618 low income rental units.

- Housing Preservation (other than the HRLP)

Besides the 1,092 units improved through the City's HRLP, an additional 709 units have been preserved as affordable units through acquisition, rehabilitation, or a combination of the two. The City has provided \$13.2 million in low-interest financing for projects in this category.

- Production of New Affordable Housing

Since 1976, 2,018 new affordable housing units were built (or are currently under construction) in the City. Using funds from its Redevelopment Agency and other local, state and federal sources, the City provides low-interest loans and grants to developers of new affordable housing units for low income renters and moderate income first-time home buyers. The City has provided loans and grants totaling \$73.9 million to new affordable housing projects, including landbanking of sites for future new construction.

The following table shows the total number of affordable housing projects and units in the City by occupancy type. It also shows the total City financing for each occupancy type. Although most of the affordable units received City financing, some did not. Some affordable projects received a density bonus but no financing, and several projects developed by the Housing Authority were built using only direct federal subsidies or Housing Authority funds.

Appendix A is a complete list of all affordable and assisted housing units and beds in the City. It includes the amount of City funding per project.

**Table 1. City's Affordable Housing Projects
By Occupancy Type**

Project (Occupancy) Type	No. of Projects	No. of Units	Amount of City Financing
Senior Rental	29	1,142	\$29,330,909
Family Rental	98	1,363	61,074,001
Ownership	35	335	7,451,707
Owner-occupied Mobilehomes	2	70	225,000
Single Family Rehab	N/A	574	15,988,737
Group Housing (# of Beds)	11	416	5,582,808
Secondary Dwelling Units	10	10	0
Landbanked / predevelopment	4	N/A	3,045,000
Total through May, 2010	189	3,910	\$119,653,162

The largest source of City affordable housing financing is the City's Redevelopment Agency. As required under state redevelopment law, the City dedicates at least 20% of its "tax increment" income in its downtown redevelopment project area for affordable housing (a map of the Redevelopment Project Area is included as Appendix B). Since the City's redevelopment agency began operating in 1977, the City has provided \$66.1 million in loans and grants of redevelopment funds to affordable housing projects in the City. The City's redevelopment agency is set to expire in 2015.

The second largest source of funding for affordable housing has been federal Community Development Block Grant (CDBG) funds. Since becoming a CDBG "entitlement" jurisdiction, the City has committed \$25.3 million in CDBG funds for low income housing. Of this amount, \$16.0 million has been for building code corrections and other improvements single family homes owned by low income households. The City has committed an additional \$9.3 million in CDBG funds for the construction or rehabilitation of low income rental units.

Another major source of City affordable housing financing is the HOME program, which is a federal block grant program established in 1990. The HOME program allocates funds to jurisdictions by a formula based on various indicators of housing need. The City has committed \$12.7 million in HOME funds for low income rental projects.

Developers receiving loans and grants through the City must assure that some or all of the units will be affordable for the long term. The amount and source of funding are recommended by Housing Programs staff on a case-by-case basis.

B. Density Bonus Program

Through the City's density bonus program, the City allows development of a greater number of units than would normally be allowed under the existing zoning. As a trade-off, some or all of the units on the site are subject to rent restrictions or resale controls which provide for continued long-term affordability to low income renters, and to purchasers who are moderate income, middle income or upper-middle income.

Since the beginning of the City's density bonus program in the early 1980s, the City has approved 82 projects with density bonuses. These projects contained 1,223 affordable units, of which 502 were density bonus units.

The City's density bonus program has been affected by state legislation which was passed in 1990 and significantly amended effective January 1, 2005. Government Code § 65915 mandates that all communities provide a density bonus and other development incentives if a developer agrees to provide affordable housing as specified.

The City has adopted a density bonus ordinance (Appendix C) that provides more options to the City and developer than provided under state density bonus law. The density bonus program is implemented as part of the City's development review process. Proposed projects that include bonus units are reviewed on a case-by-case basis upon submission of project financial information, including a development budget and a proforma, to the Housing and Redevelopment Division. Please refer to Section VI below for information on affordability requirements for density bonus units.

C. Secondary Dwelling Units

The City permits a secondary dwelling unit in single family zones under tightly controlled conditions. For more information, please refer to Chapter 28.94 of the Municipal Code.

D. Condominium Conversions

Santa Barbara Municipal Code Chapter 28.88 specifies the requirements for converting existing apartments to condominiums. This ordinance has provisions relating to the affordability both of the existing apartments and the condominiums resulting from the conversion.

The ordinance provides that if any of the units in the apartment project have been rented for at least 24 of the previous 48 months at rents affordable to persons earning 90 percent of the area median income or less, then the same number of condominiums resulting from the conversion shall be sold at an affordable sale price. This price is defined as one that is affordable to middle-income persons earning 120 percent of the area median income. The determination of what is affordable is made according to policies outlined in this handbook. Copies of Santa Barbara Municipal Code 28.88 and Resolution 91-137, which further defines the affordable requirements, are included as Appendix D.

E. Inclusionary Housing Ordinance

The City has adopted an Inclusionary Housing Ordinance that requires, in projects where there are ten or more ownership units (excluding any density bonus units), that fifteen percent (15%) of the units be sold at prices affordable to middle-income buyers. This requirement applies to newly built units and ownership units created through conversion of apartments to condominiums. The ordinance specifies that the developer shall be entitled to a density bonus for the required inclusionary units, subject to some limitations. For example, a project of 20 units must provide 3 affordable units; if the land is zoned for a maximum of 20 units, the developer may be entitled to build 23 units in order to provide the required inclusionary units. In 2009, the ordinance was amended to apply to ownership projects of 2 through 9 units as well as projects of 10 or more units. Projects of 2 through 9 units are generally required to pay a pro-rated in-lieu fee for each unit. There is no requirement that projects of this size provide an inclusionary unit, and no entitlement to a density bonus. A summary of the ordinance is included in Chapter VIII below, and a copy of the ordinance is included as Appendix E.

III. THE CITY'S VIEW OF AFFORDABILITY

A. What is "Affordable"?

The term "affordable" may have a wide range of meanings to the general public, but in the City's usage it has a specific meaning. The City as well as most state and federal housing programs define affordable housing as follows: rental housing where the tenants do not pay more than thirty percent (30%) of their gross monthly income on rent and utilities, and ownership housing where the owners do not pay more than thirty-five percent (35%) on house payments, homeowners' association dues, insurance and property taxes. The unit should remain affordable to subsequent residents or owners throughout the term of the affordability controls.

B. Income Categories and Area Median Income (AMI)

The U.S. Department of Housing and Urban Development (HUD) determines the "Area Median Income" ("AMI") for areas throughout the nation, and updates the figure approximately yearly. The applicable local area is Santa Barbara County (HUD does not provide a median income specifically for the City of Santa Barbara). When used in this handbook, the term "median income" or "AMI" refers to the HUD Area Median Income for Santa Barbara County. The median income as of May 14, 2010 was \$71,400.

The City's affordability requirements refer to the following "income categories," which are usually based on various percentages of the AMI, as shown on the following table:

Table 2. Income Categories

Income Category	Percentage of Area Median Income
Very low Income	50% or below
Low Income	>50% - 80%
Moderate Income	>80% - 120%
Middle Income	>120% - 160%
Upper-middle Income	>160% - 200%

C. Income Categories in High Housing Cost Areas

HUD has changed the method of setting the maximum incomes for the very-low income and low income categories in Santa Barbara County. HUD did this in order to adjust for the high housing costs of the area. In past years, as shown in the table above, the limit for the very-low income category was 50% of the area median income (AMI) for a given household size, and the limit for the low income category was 80%.

Under the new method of calculation, HUD supplies the very-low income limits based on the incomes needed to qualify for certain subsidized housing in the area. This very-low income limit will be higher than it would be if Santa Barbara County were not a high housing cost area. And, this higher number is used as a basis for calculating other key numbers used in this handbook relating to the low and very-low income categories. In effect, HUD has created a new area median income for high housing cost areas for certain purposes. For ease of reference in the following sections of this handbook, this new number will be referred to as the “High-Cost Area Median Income” or “HCAMI”.

The High Cost Area Median Income is equal to double the HUD limit for a very-low income household of four.

$$\text{HCAMI} = \$37,000 \times 2 = \$74,000$$

This HCAMI is approximately 3.6% higher than the AMI.

HUD calculates the low income limits by taking 80% of the HCAMI. Likewise, we calculate the maximum rents for projects funded by our Redevelopment Agency on a percentage of the HCAMI. The percentages for moderate, middle and upper-middle income have not changed, and continue to be based on the AMI.

Table 3. Income Categories in High Housing Cost Areas

Income Category	Definition	Programs that Refer to this Income Category
Very low Income	In “high housing cost” areas such as Santa Barbara County, HUD provides this Very-Low Income limit.	State density bonus law, HUD’s CDBG and HOME Program financing regulations
Low Income	In “high housing cost” areas such as Santa Barbara County, this is calculated by taking 80% of the HCAMI	State density bonus law, State redevelopment law for projects receiving City redevelopment funds, HUD’s CDBG and HOME Program financing regulations, City density bonus policies for rental projects
Moderate Income	Households with incomes up to 120% of AMI (adjusted by household size). No adjustment for high housing cost areas	State density bonus law for ownership units, state redevelopment law for projects receiving City redevelopment funds
Middle Income	Households with incomes up to 160% of AMI (adjusted by household size). No adjustment for high housing cost areas	City density bonus policies for ownership projects. Middle income units do not qualify for any loan programs
Upper-middle Income	Households with incomes up to 200% of AMI (adjusted by household size). No adjustment for high housing cost areas	City density bonus policies for ownership projects. Upper-middle income units do not qualify for any loan programs

D. Adjustment for Household Size

The Area Median Income as published by HUD corresponds to the area median income *for a household of four*. As shown in the following table, the AMI varies by the number of persons in the household. This is based on the rationale that a larger household requires a higher income to maintain a minimum standard of living. HUD sets the median incomes for other household sizes by applying a multiplier to the median income of a household of four. For example, HUD sets the median income of a household of three at 90% of that of a household of four, and sets the median income of a household of five at 108% of that of a household of four.

Table 4. Median Income Adjusted by Household Size

Number of Persons:	1	2	3	4	5	6
Median Income:	\$50,000	\$57,100	\$64,250	\$71,400	\$77,100	\$82,800
% of 4 Person Income	70%	80%	90%	100%	108%	116%

Table 5, below, shows the *maximum* income that households of various sizes may have in order to be included in a certain income category (such as “low income” or “moderate income”). The City uses these income limits for setting the eligibility of renters and buyers under its affordable housing programs.

For very-low income and low income households, the income limits were provided by HUD, as discussed in section C above.

For the remaining income categories, the maximum incomes were calculated using Table 4 together with the percentage that is the upper end of the income range for each category. For example, the maximum income for a three person household to be in the moderate income category would be: $(\$64,250 \times 120\%) = \$77,100$ (rounded to the nearest \$50).

**Table 5. Maximum Incomes for Various Income Categories
Based on the AMI published in May, 2010**

Category	Range of % of Median	Number of Persons in the Household					
		1	2	3	4	5	6
Very-Low	Set by HUD	25,900	29,600	33,300	37,000	40,000	42,950
Low	Set by HUD	41,450	47,400	53,300	59,200	63,950	68,700
Moderate	Up to 120%	60,000	68,500	77,100	85,700	92,500	99,350
Middle	Up to 160%	80,000	91,350	102,800	114,250	123,350	132,500
Upper-middle	Up to 200%	100,000	114,200	128,500	142,800	154,200	165,600

Income includes not only wages or salaries of all adult household members, but also earnings on assets such as stocks and bank accounts and real property held by the household. It should be noted that the City specifies that purchasers of affordable units may not have an ownership interest in any other residential real property.

E. Income Targeting

According to Table 5, a four person household would be a low income household if its annual income from all sources is no more than \$59,200.

The City considers rent to be affordable if the household pays no more than 30% of their income for rent and utilities. However, it would be impractical for the City to set individual maximum rents based on the *actual* income of each household. Instead, the affordable rents are based upon a “target income percentage.”

This percentage will vary according to the income category that the housing is meant to serve (low income, moderate income, etc.) and the requirements of the financing program. This is discussed in more detail in the sections on “Affordability Requirements” below.

The City does not establish minimum incomes for each income category. For example, if an inclusionary housing unit is targeted to be affordable to middle income households, it is possible that a moderate-income household could qualify to purchase the unit if their down-payment is sufficient and within the limits set by the City. The City does require that the buyer pays no less than twenty eight percent (28%) and no more than forty percent (40%) of their household income for monthly housing expenses.

F. Adjustments for Number of Bedrooms (Unit Size Adjustment)

As might be expected, the City sets the maximum rents and sale prices at a higher level for units with a greater number of bedrooms. This reflects the fact that larger units will accommodate larger households, with correspondingly higher maximum allowable household incomes.

It would be impractical to set different maximum rents or sale prices based on the actual number of persons in a given household. Instead, the City makes assumptions about the average number of persons that will be occupying units with various numbers of bedrooms. For example, the City assumes that the average number of persons in a 2-bedroom unit will be 3 persons. As noted in the previous section, HUD sets the median income for a household of 3 at 90% of the median income of a household of 4. Therefore, the City multiplies the AMI by a “unit size adjustment” of 90%. This adjusts the “target” income for a 2-bedroom unit.

The City uses a unit size adjustment of 75% for a one-bedroom unit, which corresponds to the income midway between a 1-person household and a 2-person household. As shown in the following table, the other unit size adjustments have been set to arrive at reasonable rent differentials for other unit sizes. Although these unit size adjustments do not all correspond to actual household sizes, they reflect the assumption that larger units will be occupied by larger household sizes.

The state and federal government housing programs also set adjustments for various numbers of bedrooms, based on various assumed household sizes. As shown in the following tables, their assumptions about the number of persons who will occupy units differ slightly from the City’s and from each other. The one case for which the assumptions

are identical among all of the programs is for 2-bedroom units; all programs assume that 2-bedroom units will be occupied by 3-person households.

Table 6 A City Unit Size Adjustments for Middle and Upper-Middle Income Ownership Units and Density Bonus Rental Units		
# Bedrooms	Unit Size Adjustment	Assumed # in Household
SRO	0.5	NA
Studio	0.6	NA
1 Bedroom	0.75	1.5 Persons
2 Bedroom	0.9	3 Persons
3 Bedroom	1	4 Persons
4 Bedroom	1.08	5 Persons

Table 6 B State (Redevelopment) Unit Size Adjustments for Low and Very-low income Rental Units and Moderate Income Ownership Units		
# Bedrooms	Unit Size Adjustment	Assumed # in Household
Studio	0.7	1 Person
1 Bedroom	0.8	2 Persons
2 Bedroom	0.9	3 Persons
3 Bedroom	1	4 Persons
4 Bedroom	1.08	5 Persons

Table 6 C Federal HOME Program (HUD) Unit Size Adjustments		
# Bedrooms	Unit Size Adjustment	Assumed # in Household
Studio	0.7	1 Persons
1 Bedroom	0.75	1.5 Persons
2 Bedroom	0.9	3 Persons
3 Bedroom	1.04	4.5 Persons
4 Bedroom	1.16	6 Persons

IV. AFFORDABILITY REQUIREMENTS FOR RENTAL UNITS

A. Calculation of Affordable Rents

The calculation of the rent allowed by the City for an affordable rental unit depends on the last two factors discussed above: the “target income percentage” and the “unit size adjustment.”

Target income percentages and unit size adjustments for rental units are often dictated by the requirements of specific subsidy programs. For example, state redevelopment law provides that, if the City’s Redevelopment Agency housing funds are used to subsidize low income rental units, those rents must be no more than 30% of the income of a household at 60% of HCAMI. State Redevelopment law also specifies that the rent for a 2-bedroom unit should be calculated based on the income of a 3 person household. Thus, the maximum rent for a two-bedroom unit receiving below-market rate financing from the City’s Redevelopment Agency would be calculated as follows:

High Cost Area Median Income:	\$74,000 (as of May, 2010)
Target income percentage:	x 60%
Unit size adjustment for a	
2 bd unit (3 person household):	x 90%
Percentage of income for rent:	x 30%
Divided by 12 months:	/ 12
Maximum monthly rent:	= \$999

Thus, the affordable rent for a low income household in a two bedroom unit would be the fixed amount of \$999. This monthly rent would be affordable to most 3-person low income households, with those households earning between 61% and 80% of HCAMI paying less than 30% of their income for rent, and those earning between 50% and 59% paying somewhat more than 30%.

It should be noted that state redevelopment law permits higher rents for households with incomes between 60% and 80% of HCAMI; rents for those households may be set at 30% of the *actual household income*. The City may approve these higher rents in exceptional circumstances, but the City's standard requirement for low income units receiving Redevelopment Agency housing funds is that the rents be affordable at a target income of 60% of HCAMI.

The City uses several subsidy programs and incentives, and therefore uses several different target income percentages. The following table summarizes the target income percentages most commonly used by the City for affordable rental projects.

Note: In the case of the Federal Home funds (“High-HOME”), the maximum income for the residents is 60% of HCAMI, but the target rent is set under federal HOME regulations at 65% of HCAMI. The result of this HUD regulation is that low income renters of HOME-assisted units will pay more than 30% of their incomes for rent.

Table 7. Target Income Percentages Used For Rental Projects

Target Income	Maximum Income %	Target Income for 2-Bedroom Unit	Maximum Income for 2-Bedroom Unit (3 Persons)	Example of Max. Rent (2 bedrms)	Typical Applicability of this Target Income
35% of HCAMI	50% of HCAMI (very low)	\$23,300	\$33,300	\$583	Low Income Housing Tax Credits
50% of HCAMI	50% of HCAMI (very low income)	\$33,300	\$33,300	\$833	Federal HOME funds (20% of units Low-HOME) Also, State density bonus law sets this 50% target for very-low income rental units.
60% of HCAMI	80% of HCAMI (low inc.)	\$49,950	\$53,300	\$999	Redevelopment Agency (RDA). Also, State density bonus law sets this 60% target for low income rental units. Also applies to reduced parking requirements under SBMC*
65% of HCAMI	60% of HCAMI (low inc.)	\$43,300	\$39,950	\$1,083	Federal HOME funds (80% of units High-HOME)
70% of HCAMI	80% of HCAMI (low inc.)	\$46,600	\$53,300	\$1,165	Density bonus rental units under the City's density bonus program
80% of AMI	120% of AMI (moderate income)	\$53,300	\$77,100	\$1,332	State RDA law allows RDA funds to be used on units targeted to 80% of HCAMI, and counts such units as moderate income. The City has used RDA funds primarily to subsidize <i>low income</i> rentals, but has made exceptions for some moderate income rental units

*The Santa Barbara Municipal Code may allow reduced parking requirements may apply to rental projects meeting this affordability standard (SBMC 28.90.100 G.3.f.)

B. Utility Adjustments

The City's requirements for maximum rents assume that the landlord pays all utilities. If the tenant is required to pay some or all of the utilities, the maximum rents are reduced in accordance with a schedule prepared by the Housing Authority and approved by HUD. The utility schedule varies not only by number of bedrooms in the unit but also by the various utility combinations (i.e., all electric versus all electric except space heating, etc.) A chart listing the current utility adjustments for various combinations of utility payments is available from Housing Programs staff.

The following table shows the maximum rents for Redevelopment Agency funded projects, adjusted for utility allowances.

**Table 8. Maximum Low Income Rents, Adjusted for Utilities:
Target Income = 60% of AMI**

Unit Size	If Owner Pays All Utilities	If Tenant Pays Gas And Elec.	If Tenant Pays All Utilities
Studio	\$777	\$738	\$708
1 Bedroom	\$888	\$839	\$797
2 Bedroom	\$999	\$937	\$881
3 Bedroom	\$1,110	\$1,028	\$943
4 Bedroom	\$1,199	\$1,104	\$1,012

C. Section 8 Housing Choice Voucher Program

In some cases the City has permitted owners of rent-restricted units to receive substantially higher rents than those listed above, provided the owner rents to holders of "Section 8 vouchers." Through this program, administered by the Housing Authority of the City of Santa Barbara, the tenant pays 30% of their income for rent and utilities. Federal funds are paid to the landlord to make up the difference between this tenant share and the "Fair Market Rent" (FMR). HUD periodically establishes FMR's for the County of Santa Barbara based on a survey of rents. North-County rents are much lower than rents on the South Coast. Thus, the FMR's calculated by HUD for Santa Barbara County are usually far below actual market rents in the City. In response to this disparity, at the request of the City Housing Authority, HUD has approved an "exception rent" for the City that allows FMR's to be increased substantially. With this increase, the FMR's more closely approximate market rents in the City. The Housing Authority inspects each apartment participating in the Section 8 program to verify that the rent charged does not exceed its market value.

By way of example, the latest FMR, as of May, 2010, for a two-bedroom unit is \$1,259. This is still less than the median advertised rent for a 2-bedroom apartment in the City, which was \$1,700 in April, 2010.

Currently many private landlords are participating in this program and accepting tenants with Section 8 vouchers. However, the number of participating landlords has varied significantly over time. An important factor affecting landlord participation is how the FMR's compare to the rents that the landlord could receive on the open market. HUD has not always allowed exception rents, and there is no guarantee that they will continue to do so. Another factor affecting landlord participation is the demand for rental units. In a tight rental market, landlords have many more qualified applicants than units, and they have no incentive to accept low income tenants with vouchers.

In times of low landlord participation in the Section 8 voucher program, many low income households who have qualified for vouchers cannot find a landlord to accept them, and this important federal housing subsidy goes under-utilized in Santa Barbara. At such times, it is consistent with the City's affordable housing goals for the City to encourage owner participation by providing subsidies to developers who agree to accept Section 8 vouchers over the long term. In times of high voluntary participation by landlords, it is not necessary for the City to encourage participation. In such times, the public benefit of units restricted to a target income (such as 60% of AMI) will be significantly greater than the public benefit of a unit restricted to Section 8 vouchers. The City must consider this variable public benefit of Section 8 subsidies in determining whether to further subsidize projects which rely on the Section 8 program to achieve affordability.

Also, the City must consider the impact of a possible future reduction of the number of available Section 8 vouchers. While the Section 8 program is a keystone of the current federal housing programs, it is funded annually by the federal government, and there is no guarantee that the subsidies will continue for the full 60 year term of the City's affordability requirements, or even for 5 or 10 years. In the event that the developer of a rent-restricted project cannot find a tenant with a Section 8 voucher, the City's policy is generally that the unit must be rented at rents affordable to 60% of AMI. In the case of a two bedroom unit, this would reduce the rent from the FMR of \$1,259 to \$999 (including utilities). If a significant percentage of the units in a project were to be subject to such reductions, the project could be in jeopardy of default on its loans, or the City's affordability requirements, or both.

In order to limit the number of units for which a Section 8 subsidy is used by the developer to meet the City's affordability requirements, and to help assure the long-term affordability of such units, the City will consider allowing Section 8 FMR's as qualifying rents on a case-by-case basis, with preference given to projects that meet all of the following requirements:

- The project is developed and 100% owned by an affordable housing developer with a substantial track record of affordable housing development and operation in Santa Barbara.
- No more Section 8 units are proposed in the project than are needed to make the project financially feasible.
- All of the Section 8 units have received a long-term "project-based" Section 8 allocation through the City or County Housing Authority.

- The developer must demonstrate that, in the event that the rents on the Section 8 units revert to the specified percentage of AMI, the project will be able to cover any resulting operating shortfall through one or more of the following means:
 - The project or owner has set aside adequate reserves to cover such operating shortfall for a reasonable period of time
 - The project has borrowed funds from the City which it is repaying on a “residual receipt” basis (i.e. repaying the loan solely with remaining cash-flow after all expenses), and the shortfall can be covered by suspending the repayments to the City
 - Other means which are determined by the Community Development Director to reasonably assure that the project will be able to cover its expenses and maintain the required rents in the event that eligible Section 8 voucher holders are no longer available as tenants.

D. Units Receiving Zoning Modifications

Owners often wish to make improvements to their residential properties that are not in strict compliance with the City’s zoning ordinance. Many properties were legally developed decades ago when the zoning requirements were less stringent. For example, there are many lots that were legally developed with more units than current zoning would allow. Owners of these “legal non-conforming” properties may not add square footage or intensify the use unless they receive a zoning modification. The City’s Staff Hearing Officer, and in some cases the Planning Commission, must determine on a case-by-case basis whether, and under what conditions, such zoning modification should be approved.

On lots where the number of units is legal non-conforming, an owner wishing to add a room onto an existing unit may request a “lot area modification.” Such modifications are akin to a density bonus, and are usually only granted by the City in exchange for recorded affordability conditions on one or more of the units. However, the City’s standard low-income rental requirement (90 year term targeted to 60% of AMI) is usually a disproportionate imposition on the applicant compared to the benefit conferred by the modification. The City’s Community Development Director has the authority to reduce or waive the affordability requirements on a case-by-case basis for zoning modifications on existing units. For example, in the case of an applicant wishing to add a bathroom to a legal non-conforming duplex that has slightly under the required lot area, a Section 8 rental requirement may be approved, as well as a term substantially shorter than 90 years. If the modification is for the purpose of legalizing an illegal dwelling unit that is the subject of an enforcement action, the affordability requirements will be much more stringent.

E. Documents and Reporting Requirements

Every owner of rent-restricted units is required to file reports with the City annually and upon each change in occupancy. These reports will contain information and copies of documents which the City requires to assure compliance with the affordability conditions. A document titled "Requirements for Low Income Rental Units" explains the requirements in more detail, and should be read carefully by any owner considering the development of

rent-restricted units. This or a similar document will be attached to the conditions of approval for the project. Language setting forth these requirements will be included in an affordability control covenant to be recorded against the real property.

V. AFFORDABILITY REQUIREMENTS FOR OWNERSHIP UNITS

The initial maximum sale price for affordable sale units is determined according to a formula. Although the definitions and narrative of the formula are lengthy, the basic concept is simple: the unit must be affordable to the new buyer; therefore, the price must be such that after a ten percent (10%) down payment, the total monthly payments for the loan, taxes, insurance and homeowner association fees will not exceed thirty-five percent (35%) of a hypothetical “target” buyer's income. A housing cost-to-income ratio of 30% is used for low and very-low income units that are funded with City Redevelopment Agency funds.

A. Mortgage Interest Rate

The sale price calculation is very sensitive to changes in mortgage interest. The higher the interest rate, the lower the mortgage a given monthly loan payment will support. If the initial sale price is calculated at a time that interest rates are unusually low, subsequent buyers will have difficulty affording the unit if interest rates have increased substantially in the interim. To further the goal of long term affordability, in order to smooth out interest-rate fluctuations, the City will use the following procedure for setting the interest rate that is used for the calculation of initial sale prices of affordable units:

At least once per year, concurrently with the annual publication of the Area Median Income by HUD and upon any update of these Affordable Housing Policies and Procedures, the City will set the interest rate to be used in its sale price calculations as the higher of the following two rates:

- (a) the average rate charged by local institutional lenders on a zero point 30-year fixed rate mortgage
- (b) the average ten-year treasury constant maturity rate over the most recent 24 months, plus 200 basis points (2.0%), or

Example: the average ten year treasury yield for May, 2008 through April, 2010, calculated from monthly data published on the U.S. Treasury Department web site, was 3.475%. Adding the 200 basis points and rounding results in an interest rate of 5.5%.

B. Private Mortgage Insurance

The above calculation for the mortgage interest rate assumes a 20% down payment. However, most buyers of affordable units cannot afford a 20% down payment. In recognition of this, the City assumes a 10% down payment in its affordable price calculations. However, if a borrower is putting less than 20% as a down payment, conventional mortgage lenders require the borrower to either obtain private mortgage insurance (PMI) or obtain a second deed of trust loan (at a higher interest rate) for the amount of financing above 80% of value. Either of these options increases the costs to the borrower. In the past, these extra costs have not been included in the City's affordable price

calculations. Staff estimates that these added costs are equivalent to increasing the mortgage interest rate between one-half and three-quarters of one percent (0.5 to 0.75%). Staff will recommend that City Council consider whether to increase the mortgage interest rate used in the sale price calculation 0.5% to account for the extra costs of PMI or secondary financing. The effect of this change will be to lower the affordable sale price somewhat, thus making the units more affordable to the majority of new buyers who have a down-payment of less than 20%.

C. Homeowner Association Fees

The sale price calculation is also sensitive to changes in homeowner association (HOA) fees. The higher the HOA fees, the lower amount of the buyers' income that is available for mortgage payments. City staff is aware of many buyers of affordable units whose HOA fees have increased substantially after they purchased their unit. This has the effect of making their unit less affordable to them and to subsequent buyers. To assure that the HOA fee used in the City's initial sale price calculations is adequate, Housing Programs staff will survey several established homeowners' associations and arrive at an average. For the period starting with the May 2010 publication of the HUD AMI, staff has established an average HOA expense of \$420 per month.

D. Price Calculations

Please refer to Appendix F for a sample calculation of the maximum sale prices for middle income units, targeted to 120% of the AMI. This calculation incorporates the mortgage interest rate of 5.50%, and the monthly HOA expense of \$420.

Selected target incomes and prices for the various income ranges used for ownership units are shown in the following two tables.

(continued on next page)

Table 9A. Target Income Percentages Used For Ownership Projects

Target Income %	Maximum Income %	Down Payment Assumed in Price Calculation	Example of Max. Price (2 bedrms)	Type of Subsidy Typical for this Target Income
70% (low)	80% (low)	5%	\$89,500	Low incomes are seldom targeted for affordable sale housing because of the very high subsidies needed.
110% (moderate)	120% (moderate)	5%	\$235,800	Redevelopment Agency (RDA)
120% (middle)	160% (middle)	10%	\$297,300	No subsidy sources are available for above-moderate incomes – but density bonuses are allowed for middle-income units
160% (upper-middle)	200% (upper-middle)	10%	\$419,200	

**Table 9B. Maximum Sale Prices For Affordable Ownership Units
By Unit Size and Income Category**

	Target Income	Studio	1 BD	2 BD	3 BD
Moderate Income	100%	\$173,200	\$205,600	\$237,500	\$267,100
Middle Income	120%	\$177,100	\$238,000	\$299,000	\$339,500
Upper Middle Income	160%	\$258,300	\$339,500	\$420,900	\$474,900

VI. DENSITY BONUS UNITS UNDER STATE LAW

Changes to California state density bonus law became effective on January 1, 2005. The revised law requires cities and counties to provide *all* of the following incentives to applicants who include specified affordable housing in their projects:

- *density bonuses* of between 5 and 35 percent, depending on the amount and type of affordable housing provided (in other words, the city must approve projects with more units than allowed by zoning); and
- *reduced parking standards* that apply to the entire project, not just the affordable units (for example, uncovered parking and tandem parking must be approved); and
- *mandatory "concessions or incentives"* – the applicant may select between 1 and 3 exceptions from the normal development standards of the city (depending on the amount and type of affordable housing provided); and
- *additional "waivers and modifications"* of development standards if the applicant shows that they are needed to make the housing economically feasible.

The complete text of the law (Government Code sections 65915-65918) is available on-line at www.leginfo.ca.gov/calaw.html

A. Affordable Housing Requirements

Under state density bonus law, housing developments that create at least 5 dwelling units (or 5 unimproved lots) are eligible for a density bonus if a specified percentage of units are provided at affordable rents or sale prices to very low income, low income, or moderate income households.

B. Density Bonuses Available

The law requires a greater density bonus for very-low and low income housing and a lesser density bonus for moderate-income ownership housing than did the previous law.

- Housing developments are eligible for a **20% density bonus** if:
 - **5%** of units are affordable to **very-low** income households; or
 - **10%** of units are affordable to **low** income households.
- Housing developments qualify for a **5% density bonus** if :
 - **10%** of the units are ownership units affordable to **moderate** income households.

In addition, projects that provide more than the minimum percentage of affordable units are entitled to a greater percentage of density bonus (up to a maximum density bonus of 35%). The following table is a summary of the requirements for each income category:

Table 10. Density Bonus under State Law

Income Category	Minimum % of Units that must be Affordable	Density Bonus Required by State Law	Additional Density Bonus for each 1% increase in Affordable Units
Very-Low	5%	20%	2.5%
Low	10%	20%	1.5%
Moderate	10%	5%	1%

The result is that applicants who provide very-low and low income affordable units are generally entitled to a greater number of density bonus units than the number of affordable units they provide. For example, on a site zoned for 10 units, the applicant who provides 1 unit for very-low income households (10% of the base density) is entitled to 4 density bonus units.

C. Reduced Parking Standards

If a project qualifies for a density bonus because it provides affordable housing, the city must grant the applicant's request to reduce the required parking for the entire project—including the market-rate units—to no more than the following:

- zero to one bedroom – one on-site parking space
- two to three bedrooms – two on-site parking spaces
- four or more bedrooms – two and one-half on-site parking spaces.

These numbers *include guest parking and handicapped parking*. The spaces *may be in tandem or uncovered*. They cannot be on-street. If the project provides the required affordable housing, the parking standards may be requested even if no density bonus is requested.

D. Other Modifications to Development Standards

In addition to the reduced parking standards, the state law gives applicants the right to request modifications in local development standards such as zoning, subdivision controls, and design review requirements. The law mandates the approval of such incentives and concessions in specified circumstances.

E. Santa Barbara's State Density Bonus Implementing Ordinance

The state density bonus law requires that all cities adopt an ordinance specifying how they will comply with the legislation. Santa Barbara's density bonus ordinance (included as Appendix C) has not yet been updated to reflect the 2005 changes. However, the City has complied with the new state requirements in the few applications we have received under the revised law. A revised ordinance will be forthcoming. Staff recommends that the City's implementing ordinance contain a requirement that, in determining the required number of affordable units, any fractional number of required units be rounded up to the next whole number of units. Also, staff recommends that the affordable units be required to provide at least the same average number of bedrooms as do the density bonus units.

VII. THE CITY'S DENSITY BONUS PROGRAM

The state law does not address several issues that the City has faced. What affordability requirements would be appropriate if the developer requests a density bonus greater than 35%? What about projects of four or fewer units, where state density bonus law does not apply?

To address these and other issues, and to encourage a broader range of affordable housing types and targeting than specified in state law, the City has developed its own density bonus program. This program is meant to compliment and expand upon state density bonus law. The procedural elements of the City's density bonus program are outlined in §28.87.400 of the Municipal Code (attached as Appendix C). This ordinance specifies the procedures to be followed by developers who request a density bonus, both for projects that meet the criteria set forth in state density bonus law and for projects that do not. The latter projects are to be reviewed by the City "for consistency with the criteria of the City's density bonus program, described in the City of Santa Barbara Affordable Housing Policies and Procedures Manual." The referenced description of the City's density bonus program follows in the sections that follow.

Under the City's program, for projects in which the units developed within the base density are to be ownership units, the density bonus units under the City's program must generally be ownership units as well. The Community Development Director may approve exceptions to this requirement for projects in which each of the density bonus units is either rented for at least 90 years according to the City's requirements for density bonus rental units (explained below), or sold according to the specified requirements.

A. City Density Bonus Requirements for Ownership Units Within the First 25% Density Bonus

Density bonus is sometimes expressed as a percentage. For example, if the zoning and size of a property would allow the development of 20 units but the developer is requesting approval to build 24 units, those extra 4 units would be considered to be a 20% density bonus, because the 4 density bonus units requested would be 20% of the 20 units otherwise allowed under the zoning (the "base density"). Likewise, a project zoned for 9 units that is approved for 12 would receive a 33% density bonus.

For units within the first 25% density bonus, all density bonus units must be sold at prices affordable to middle income households (or upper-middle income if the development is single family houses each on its own lot) at prices which, *on average*, are targeted to the following incomes:

- (a) for condominiums, 120% of AMI
- (b) for duplexes, 130% of AMI. Note: for especially large and desirable condominiums that approximate the livability and features that buyers might expect from duplex units, the Community Development Director may approve a target income of 130% of AMI.
- (c) for single family homes on separate lots, 160% of AMI

The prices for condos and duplexes are targeted to be affordable to middle-income first time homebuyers (that is, with incomes between 120% and 160% of AMI). Buyers with incomes below 120% of AMI are also eligible to buy these units, provided they can qualify for the mortgage loan. Buyers with incomes above 160% of AMI, adjusted for their household size, would not be eligible. The prices for single-family homes on separate lots are targeted to be affordable to upper-middle income households (160% to 200% of AMI). Buyers with incomes below 160% might be eligible, but those above 200% would not.

There is no requirement regarding the number of bedrooms in the density bonus units, unless the density bonus units are being counted to satisfy the City's inclusionary housing requirements.

The target incomes listed above are for ownership projects without City subsidies, and are higher than those allowed by any of the subsidy sources available through the City. Projects receiving City subsidies will be required to target the density bonus units to moderate income or below.

B. City Density Bonus Requirements for Ownership Units Above the First 25% Density Bonus

In order to provide incentive to developers to provide additional affordable units under the City's program, higher income targeting and pricing will be allowed for those density bonus units that are receiving greater than a 25% density bonus in the project. For example, on a site zoned for 16 units where 6 density bonus units are approved (for a total of 22 units), the first 4 density bonus units would be considered within the first 25% density bonus. The last 2 density bonus would be above the first 25% density bonus. Such units may be sold to upper-middle income (rather than middle income) homebuyers at prices which, on average, are targeted to the following incomes:

- (a) for condominiums, 160% of AMI Note: affordable condominium units at this price point are expected to be larger and more desirable than those within the first 25% that are targeted to 120%.
- (b) for duplexes, 170% of AMI
- (c) for single family homes, 180% of AMI

C. Market Rate Density Bonus Units

In some cases the City has permitted a density bonus unit to be sold at market rate, because the remaining affordable units were sold at lower prices than otherwise required. The rationale for this policy was based on a "below-market benefit test" based on the difference between the total prices of the affordable units and the total prices of the market rate units. However, this approach has proven to be difficult to apply.

D. City Density Bonus for Rental Projects

Rental projects requesting density bonus that do not meet the requirements of state law must meet the following requirements:

For units within the first 25% density bonus – the density bonus units must be rented for at least ninety (90) years to low income households at rents targeted, on average, to 70% of AMI or below.

For units above the first 25% density bonus – the density bonus units must be rented for at least ninety (90) years to low income households at rents targeted, on average, to 80% of AMI or below.

Note: these target rents are higher than those allowed by most subsidy sources available from the City. Projects receiving City subsidies will generally be required to target the affordable units to 60% of AMI or below. Redevelopment Agency funds may potentially be used to subsidize projects with moderate income rents, but the City has not often subsidized projects with rents above the state-defined Redevelopment Agency low income targets of 60% of AMI.

VIII. INCLUSIONARY HOUSING ORDINANCE

In 2004 the City Council adopted the City's Inclusionary Housing Ordinance, which requires that new residential developments of ten or more ownership units must sell at least 15% of the units at prices that are affordable to middle income homebuyers. In May 2009, the Ordinance was amended to apply an inclusionary fee requirement to ownership projects of fewer than ten units. Condominium conversion projects are subject to the Ordinance, but apartment projects (where the units may not be sold separately) are not.

Among the stated purposes of the ordinance are to implement the policy of the City's Housing Element which encourages development of housing for first time home buyers, including moderate and middle income households, protection of the economic diversity of the City's housing stock, and reduction of commuting and related air quality impacts.

The following paragraphs summarize the main requirements of the Inclusionary Housing Ordinance, but the reader is encouraged to refer to the complete text of the Ordinance for more complete information. The Ordinance is at Chapter 28.43 of the City's Municipal Code, and is included herein as Appendix E.

A. Projects of Ten or More Ownership Units or Lots

For all residential subdivision developments of 10 or more units, the developer must either designate at least 15% of the total units as inclusionary units for owner-occupancy by middle-income households, or must pay an in-lieu fee. As an incentive to provide the units on-site, the developer is entitled to a density bonus for the number of inclusionary units to be provided on-site. The City also may (but is not required to) provide zoning modifications (such as reduced setback requirements, for example) to facilitate the increased density. Other Ordinance requirements:

- In determining the number of inclusionary units required, any decimal fraction of less than 0.5 shall be rounded down, and any decimal fraction of 0.5 or more shall be rounded up.
- The Ordinance also applies to "dry lot" subdivisions that would create lots for the eventual development of 10 or more units, and requires the payment of an in-lieu fee.
- Prices of the inclusionary units are generally required to be affordable to middle income households, using a target income of 120% of Area Median Income (AMI). Currently the maximum sale prices for inclusionary units are:
 - 1 bedroom, \$223,300
 - 2 bedroom, \$280,800
 - 3 bedroom, \$319,100
- For inclusionary units built as duplexes, or especially large and luxurious condominiums that approximate the livability and features that buyers might expect from duplex units, the Community Development Director may approve a target income of 130% of AMI. For example, a 2 bedroom unit at this price point could be sold for a maximum of \$309,500.

NOTE: This Inclusionary Housing Chapter is a DRAFT, pending City Council approval of the in-lieu fee calculation.

- Inclusionary units built as detached single-family homes, each on its own separate lot, shall be sold at prices affordable to upper-middle income households, using a target income of 160% of AMI. For example, a 2 bedroom unit at this price point could be sold for a maximum of \$395,700.
- Inclusionary units must be disbursed evenly throughout the development and must be comparable in construction quality and exterior design to the market-rate units, but may be smaller in size and have different interior finishes and features.
- The average number of bedrooms in the inclusionary units must at least equal that of the market-rate units. The minimum unit sizes and number of baths are also specified.
- All inclusionary units must be completed and occupied concurrently with or prior to the market-rate units. In phased projects, inclusionary units must be included proportionally in each phase.
- Affordability control documents must be approved by the City and recorded prior to the issuance of the grading permit or building permit, whichever comes first.
- For every residential development to which the Ordinance applies, an Inclusionary Housing Plan must be submitted as part of the application. The Ordinance specifies the required elements which must be included in such Plan.
- Projects that voluntarily provide at least 30% of their units at prices affordable to upper-middle income households are exempt from the Ordinance. Unlike inclusionary units required under this ordinance, however, there is no entitlement to a density bonus for these upper-middle income units. As an example of maximum sale prices, the current maximum sale price for a 2 bedroom upper-middle income unit is \$395,700.

In-Lieu Fee and Alternate Methods of Compliance for Projects of 10 or More Units

The requirements of the Ordinance may also be satisfied by paying an in-lieu fee. Currently the formula for calculating the in-lieu fee results in a fee of \$310,000 per required inclusionary unit. The in-lieu fee is calculated as follows: The median sale price of 2-bedroom condominiums in the City during the most recent 4 quarters (\$470,000) less 15% to arrive at the “estimated production cost of a 2-bedroom unit” (\$399,500) less the affordable sale price of a 2-bedroom low-income unit under the City’s policies (\$89,500), which equals \$310,000. The in-lieu fee represents the difference between the cost of building a new unit and the price that a low-income affordable unit could be sold for.

The in-lieu fee is re-calculated annually when HUD publishes new Area Median Income figures. The current in-lieu fee amount will be in effect until HUD publishes the 2011 AMI figures. The in-lieu fee for a project is the fee that is in effect as of the date of final Planning Commission approval of the project. The in-lieu fee must be paid prior to the issuance of building permits (except for projects of 1 through 4 units, where payment of the fee may be delayed until just prior to issuance of the Certificate of Occupancy).

To encourage projects with smaller-than-average units, the in-lieu fee is reduced between for projects in which the average size of market-rate units is smaller than 1,700 square feet, per the following table:

NOTE: This Inclusionary Housing Chapter is a DRAFT, pending City Council approval of the in-lieu fee calculation.

Average Unit Size of Market-Rate Units in Net Square Feet	Percentage Reduction in In-Lieu Fee	Reduced In-Lieu Fee
1,400 to 1,699	15%	\$263,500
1,100 to 1,399	20%	\$248,000
800 to 1,099	25%	\$232,500
Below 800	30%	\$217,000

The Planning Commission may accept alternate methods of compliance that are proposed by the applicant, including off-site construction of the inclusionary units, dedication of land for affordable housing purposes, or a combination of approaches. For example, the requirements may be met through a combination of providing inclusionary units on-site and paying an in-lieu fee. A 10-unit project would have an inclusionary requirement of 1.5 units. This could be met by building 2 affordable inclusionary units on-site, or by paying an in-lieu fee for 1.5 units. Unless the average size of the market rate units is below 1,700 square feet, the in-lieu fee for 1.5 units would be $(1.5 \times \$310,000 =)$ \$465,000. Or, the requirements could be met by building one affordable inclusionary unit and paying one-half of the in-lieu fee for one unit (\$155,000).

B. Projects of Two through Nine Ownership Units or Lots

All residential subdivision projects of 2 through 9 units or lots (including condominium conversion projects) must pay an inclusionary housing fee. Unlike the inclusionary requirements for projects of 10 or more units, there is no requirement that these smaller projects provide an affordable unit, and there is no entitlement to a density bonus if an affordable unit is included by choice as an alternative to paying the inclusionary housing fee.

The pro-rated inclusionary housing fee for smaller projects is currently \$15,500 per unit or lot. This is equal to 5% of the \$310,000 in-lieu fee. This fee amount will be in effect until HUD publishes the Area Median Income numbers for 2011. For projects involving the construction of 5 or more units, the fee must be paid prior to the issuance of building permits. To reduce the financial impact on projects of 4 units or less, the due date for payment of the in-lieu fee is postponed until just prior to issuance of the Certificate of Occupancy.

To encourage projects with smaller-than-average units, the pro-rated inclusionary housing fee is reduced for projects in which the average size of market-rate units are smaller than 1,700 square feet, per the following table:

NOTE: This Inclusionary Housing Chapter is a DRAFT, pending City Council approval of the in-lieu fee calculation.

Average Unit Size of Market-Rate Units in Net Square Feet	Percentage Reduction in In-Lieu Fee	Reduced In-Lieu Fee	Pro-Rated Inclusionary Fee
1,400 to 1,699	15%	\$263,500	\$13,200
1,100 to 1,399	20%	\$248,000	\$12,400
800 to 1,099	25%	\$232,500	\$11,600
Below 800	30%	\$217,000	\$10,900

Partial Exemption: For projects that involve the construction of up to 4 new units, 1 unit is exempt from the inclusionary fee requirement. Projects that will provide up to 4 new units and include one existing unit that will remain on site are eligible for this partial exemption. Projects that include conversion of 2 or more units to condominiums, or that include the construction of 5 or more new units, are not eligible for this exemption.

C. Examples and Tables

Condo Conversion: Application to convert an 8-unit apartment building into 8 condominium units: An inclusionary fee of \$124,000 (8 x \$15,500) must be paid prior to the issuance of a building permit. However, if the average size of the condo units is under 1,700 square feet, the fee will be reduced. For example, for an average unit size of 1,000 square feet the fee would be \$92,800 (8 x \$11,600).

“Dry-Lot Sudivision”: Application to subdivide a parcel into 9 residential lots for sale to future owner-builders: An inclusionary housing fee of \$139,500 (9 x \$15,500) must be paid prior to recordation of the Final Subdivision Map. For a subdivision of 10 lots, a 15% inclusionary requirement will apply so the in-lieu fee would be \$465,000 (1.5 x \$310,000).

Condo Conversion plus New Construction: Application to convert a duplex apartment into 2 residential condominiums and to build 2 additional units on the lot: An inclusionary housing fee of \$62,000 (4 x \$15,500) must be paid. The fee for the 2 condominium conversion units must be paid prior to the recordation of the final subdivision map. Because the project is no more than 4 units, payment of the fee for the remaining 2 units may be delayed until just prior to the issuance of the Certificate of Occupancy. This project is not subject to the partial (1-unit) exemption described above because this involves a condominium conversion. Projects where the market rate units average under 1,700 square feet may get a reduction in the in-lieu fee.

Projects of up to 4 New Units: Application to demolish a duplex apartment building and build 4 new condominium units on the lot: This is subject to the partial exemption described above because it involves the construction of no more than 4 new units. An inclusionary housing fee of \$46,500 (3 x \$15,500) must be paid, but payment may be deferred to just prior to the Certificate of Occupancy because the project is 4 or fewer units. Projects where all units average under 1,700 square feet may get a reduction in this fee.

NOTE: This Inclusionary Housing Chapter is a DRAFT, pending City Council approval of the in-lieu fee calculation.

Subdivision with 2 Existing Houses: Application to do a lot split of a large lot with 2 existing houses to create 4 lots, with the 2 existing houses to be each on their own lots and 2 new houses to be built each on their own lots: This is subject to the partial exemption described above because this is not a condominium conversion and involves the addition of no more than 4 new units. An inclusionary housing fee of \$46,500 (3 x \$15,500) must be paid prior to the Certificate of Occupancy, but payment may be deferred to just prior to the Certificate of Occupancy because the project is 4 or fewer units. Projects where all units average under 1,700 square feet may get a reduction in this fee.

TABLES: The following 3 tables provide additional information and examples for projects of 2 through 9 units, depending on factors such as the number of existing units on the site and whether any units are being converted to condominiums.

Use Table 1 if there are no existing units on the site, or if all existing units will be demolished prior to the construction of the new project

Use Table 2 if there is one (and only one) existing unit that will remain on the site

Use Table 3 if there are 2 or more existing units to remain on the site that will be converted to condominiums

NOTE: This Inclusionary Housing Chapter is a DRAFT, pending City Council approval of the in-lieu fee calculation.

Inclusionary Table 1 If There Are No Existing Units on the Site, or If All Units will be Removed (the Project is all new construction)		
Number of New Units to be Built	Number of Units For Which a 5% In-Lieu Fee Requirement Applies	Total Pro-Rated In-Lieu Fee Required*
1	The Inclusionary Ordinance does not apply to 1-unit projects because there is no subdivision, condo map or new lot creation	NA
2	1 - (1 unit is exempt**)	\$15,500
3	2 - (1 unit is exempt**)	\$31,000
4	3 - (1 unit is exempt**)	\$46,500
5	5	\$77,500
6	6	\$93,000
7	7	\$108,500
8	8	\$124,000
9	9	\$139,500
10 or More	15% Inclusionary Requirement Applies	NA
*Pro-rated in-lieu fee = 5% of the full in-lieu fee (\$310,000 x 5% = \$15,500). However, the in-lieu fee will be reduced if the average size of the market-rate units is below 1,700 sq. ft.		
**In projects that propose to build up to 4 new units, one unit is exempt from payment of the pro-rated in-lieu fee; however, this exemption does not apply to projects that involve the conversion of existing units to condominiums. (see SBMC 28.43.030.A.2).		

NOTE: This Inclusionary Housing Chapter is a DRAFT, pending City Council approval of the in-lieu fee calculation.

Inclusionary Table 2 If There is One (and only one) Existing Unit to be Retained on the Site		
Number of New Units to be Built	Number of Units For Which a 5% In-Lieu Fee Requirement Applies	Total Pro-Rated In-Lieu Fee Required*
1	1 – (1 unit is exempt**)	\$15,500
2	2 - (1 unit is exempt **)	\$31,000
3	3 - (1 unit is exempt**)	\$46,500
4	4 - (1 unit is exempt**)	\$72,000
5	6	\$93,000
6	7	\$108,500
7	8	\$124,000
8	9	\$139,500
9 or more	15% Inclusionary Requirement Applies	NA
*Pro-rated in-lieu fee = 5% of the full in-lieu fee (\$310,000 x 5% = \$15,500). However, the in-lieu fee will be reduced if the average size of the market-rate units is below 1,700 sq. ft.		
**In projects that propose to build up to 4 new units, one unit is exempt from payment of the pro-rated in-lieu fee (see SBMC 28.43.030.A.2)		

Inclusionary Table 3 If the Project Involves a Condominium Conversion (Whether or Not New Units are Also Being Constructed)			
If there are 2 or more existing units on the site that will be converted to condominiums, add the number of existing units to the number of new units (if any).			
Examples:			
What is the Number of Existing Units?	What is the Number of New Units to be Built?	Number of Units For Which a 5% In-Lieu Fee Requirement Applies	Total Pro-Rated In-Lieu Fee Required*
2	1**	3	\$46,500
2	2**	4	\$72,000
3	4**	7	\$108,500
4	5	9	\$139,500
5	5	10 (so 15% inclusionary requirement applies)	NA
*Pro-rated in-lieu fee = 5% of the full in-lieu fee (\$310,000 x 5% = \$15,500). However, the in-lieu fee will be reduced if the average size of the market-rate units is below 1,700 sq. ft.			
**There is no 1-unit exemption when a condominium conversion is part of the project			

NOTE: This Inclusionary Housing Chapter is a DRAFT, pending City Council approval of the in-lieu fee calculation.

IX. DEVELOPMENT REVIEW OF AFFORDABLE PROJECTS

A. Minimum Unit Sizes for Affordable Units

The maximum rents and sale prices for affordable units are adjusted according to the number of bedrooms; implicit in this adjustment is the assumption that larger units will house larger households. To assure that affordable units are large enough for the number of people for which they are meant, these policies set minimum sizes.

Exceptions to the minimum sizes in the following table may be made by the City's Community Development Director if he or she determines that either (1) the smaller sizes of the units are appropriate and necessary for the feasibility of the development in light of site constraints and targeted residency, or (2) the average size of the market rate units in the project is smaller than the minimum unit size, or (3) the smaller sizes of the units are compensated by non-standard design features that make the smaller units equivalent in function and comfort to a unit without these design features but which meets the minimum size requirement. Non-standard design features might include larger private outdoor living space, higher ceilings, more generous fenestration, attractive and spacious common area for the residents, or a combination of these or other features.

The minimum unit sizes in net square feet of floor area are as follows:

Table 11. Minimum Sizes for Affordable Units

	Low-Income Rental Units	Moderate Income Ownership Units
Studio:	400 sq. ft.	450 sq. ft.
1 Bedroom:	540 sq. ft.	600 sq. ft.
2 Bedroom:	765 sq. ft.	850 sq. ft.
3 Bedroom:	990 sq. ft.	1,100 sq. ft.
4 Bedroom:	1,150 sq. ft.	1,300 sq. ft.

Absent a waiver from the Community Development Director, two bedroom affordable units shall have at least one and one-half bathrooms, and three and four bedroom affordable units shall have at least two bathrooms. However, the required number of bathrooms shall not be greater than the number of bathrooms in the market-rate Units.

These minimum sizes were developed for low income rental projects and condominiums targeted to moderate income households. Projects targeted to higher income groups (such as moderate income rentals and middle income ownership units) will be allowed higher rents/sale prices, and will be expected to provide larger minimum unit sizes. Likewise, duplexes and single family homes may be sold at substantially higher affordable prices than attached condos and will be expected to provide more living space than these minimum sizes. Similarly, the City may approve higher prices for condos classified as especially large or desirable, and in such cases the City will

require more living space. In these cases, the proposed sizes of the affordable units will be reviewed and approved by the Community Development Director on a case-by-case basis.

B. Application and Permitting Process for Affordable Projects

Projects with affordable dwelling units go through the same development review process as other residential developments, but are subject to a few additional steps. The developer will have contact with the City's Housing Programs staff, who implement the City's affordable housing programs and assure compliance with the requirements of those programs.

1. Housing Programs staff will prepare a draft of the implementing document, such as a recorded covenant; the developer will be advised obtain written approval of the resale control structure from all lenders. Prior to issuance of building permits, the developer must execute and record the affordability control covenant.
2. Prior to the issuance of a Certificate of Occupancy and prior to the initiation of marketing of the affordable units, the developer must submit a marketing plan to be reviewed and approved by Housing Programs staff. Such plan must describe the proposed advertising methods and staff training the developer plans in order to comply with federal, state and local fair housing laws. The plan must also propose a process for the application by and selection of eligible purchasers and identify any preferences to be given. Prospective buyers must be screened to meet the applicable City requirements. The City shall conduct a lottery to determine a sequential ranking of applicants. The applicant first drawn has the first opportunity to be fully qualified to purchase and shall get first selection of a unit. The process continues until there is a fully qualified purchaser for each available affordable unit.
3. Housing Programs staff must approve the eligibility of the initial renters or purchasers, and the initial rent levels or sales prices and financing. Housing Programs staff will inform the prospective purchasers of the resale requirements affecting the unit to be purchased. Occupancy clearance will be approved by staff in writing to the Division of Land Use Controls only after this and all other affordability conditions have been met.
4. As a part of escrow proceedings on an affordable unit, the buyer must record a new covenant agreeing to comply with the requirements of the affordable housing program and a performance deed of trust secured by the property. Buyers of affordable units will not be allowed to move in until after close of escrow, except in exceptional circumstances and upon written approval of the Community Development Director.

X. CONTINUING AFFORDABILITY ASSURANCE

The City imposes affordability requirements for the long term, in most cases for ninety years or longer. To assure the continued affordability for this entire time, the City requires that a document be recorded which restricts the maximum rental or resale prices of the controlled units. Different forms of documents are used for rental projects and sale projects.

A. Affordability Assurance for Rental Projects

The City requires a covenant to be recorded against the project to assure continued affordability of controlled rental units. It implements the affordability controls and reporting requirements specified in the standard conditions. To assure compliance, it provides that in the event of any default under the covenant, the City will have the right to receive all rents due or collected from any unit rented in violation of the terms of the covenant. The City also has the right to enforce the covenant through legal action.

B. Affordability Assurance for Ownership Projects

The City requires that an affordability covenant be recorded against each controlled ownership unit to assure continued affordability. The covenant for ownership units is titled “Affordability Covenant and Option to Purchase.” This ownership covenant implements the affordability controls and reporting requirements specified in the Planning Commission's conditions on the project and in these Affordable Housing Policies and Procedures. The covenant is to be signed by the developer (seller), the new owner (buyer) and the City. Of course it is important for prospective developers, buyers and sellers to read and understand the current version of the covenant they will be required to sign. The following is a summary of some of the requirements of the covenant:

1. At the time of the buyer’s application to participate in the process of purchasing an affordable property, the buyer’s household income must not exceed the maximum for the specified income category (such as moderate income, middle income, etc.). Income from all adults who will occupy the property full-time shall be included in the household income. At all times during the term of the affordability covenant, an owner must occupy the property as his/her principal place of residence. The City retains the right to purchase affordable units when such units are in default or foreclosure. In addition, an owner assigns to the City the right to any rents collected in violation of the covenant.
2. Any sale or other transfer of any interest in the property must be approved by the City as being in compliance with the requirements set forth in the covenant, including the maximum sale price. Full disclosures must be made in writing to the City regarding the terms of the sale, including copies of all documents. The owner grants to the City an option, or right of first refusal, to purchase the property any time an owner wishes to sell.
3. The terms of all financing secured by the property requires pre-approval by the City, whether at the time of sale or at any other time and such approval shall be a condition

precedent to recording any deed of trust or other security instrument against the Property. The City will generally approve a refinancing of the first mortgage loan if no additional cash is taken out other than the loan costs, and the terms of the new loan are more favorable. If the owner wishes to take out cash, the City will consider the request on a case-by-case basis. If the City approves the borrower taking cash out for the purpose of paying off installment debt, the paydown of installment debt shall occur through the re-finance escrow. In cases where cash is to be taken out, generally the owner's total secured loans-to-value ratio should not exceed 80%, and the debt payment-to income ratio should not be higher than it was upon the owner's purchase of the property. If the City has secondary financing, refinancing will only be approved if the City's security interest and the owner's ability to repay remain strong. Please refer to the discussion of subordination of City financing in Section C below.

4. Owner(s) shall submit an annual report to certify full compliance with the terms of the covenant.
5. Purchasers of units with three or more bedrooms must be households of at least three persons. The Community Development Director or the Director's designee may approve exceptions to this household size requirement in cases where the buyer demonstrates a need for a large unit, or where necessary to prevent hardship.
6. The term of the covenant shall be at least ninety years from the date of the covenant. If an owner occupies the unit for the full term, the controls expire and the owner may sell the unit to any buyer for any price. However, if the owner sells the unit during the term of the covenant, the new owner will be required to sign and record a new covenant which begins a new ninety-year period of price and occupancy restrictions. This requirement will continue for each new owner of the unit.
7. An owner may not own other "residential real property" as defined by the City at the time of application to purchase or at any time during the period of the affordability covenant. The City considers the following to be "residential real property" for the purposes of this policy: long-term leaseholds, residentially-zoned land whether improved or unimproved, manufactured housing, and mobilehomes. The Community Development Director may waive this requirement for good cause. For example, the Director may waive the requirement when the ownership interest in another property is a small fractional interest, if the property has minimal value compared to the value of the affordable unit, or in the case of an existing affordable owner (in good standing) who has outgrown their unit due to birth or adoption. Years of ownership are not transferable. In the event an existing owner purchases another unit, they will be required to execute the current affordable covenant.
8. State redevelopment law requires, for affordable units receiving Agency subsidy, that the buyers' minimum housing expenses (including property taxes and HOA fees) be at least 28% of the buyers' income. This requirement helps to assure that the buyers who benefit from the Agency assistance are those who are in need of the assistance. The City will apply this requirement to all units.

9. The buyer's down payment must not be less than 5% or exceed 40% of the purchase price. The buyer's housing expenses, including taxes and HOA fees, shall not exceed 40% of the buyer's gross household income. The Community Development Director may waive these requirements for good cause. For example, the Director may waive the down payment limits where the buyer has cash for a larger down payment (perhaps from an inheritance or divorce settlement) but lacks the income to support a mortgage on an entry-level market rate unit.
10. A credit ("FICO") score within the bottom quartile of credit scores nationwide shall initially disqualify a buyer from owning an affordable unit. Upon disqualifying a buyer for this reason, City staff shall refer the disqualification to the Community Development Director for review and concurrence (or possible waiver). The credit score requirement may be waived by the Community Development Director on a case-by-case basis for good cause (such as mitigating circumstances for the low credit score).
11. Buyers may receive all or a portion of the down payment as a gift provided the gift does not exceed 20% of the purchase price and the donor provides a gift letter.

C. Subordination of City Financing

When the City provides low interest financing to assist affordable housing projects and the buyers of individual units, the City's financing is almost always secured by a deed of trust recorded subordinate to financing from other institutions. Often the owners wish to refinance the senior institutional financing to obtain a lower interest rate while keeping the City's loan in place. In such cases, the new lender requires the City to subordinate its deed of trust to the new financing, so the new financing retains priority in the event of default.

Generally the City will approve subordination requests when:

- the borrower is refinancing solely for the purpose of obtaining a lower interest rate, and
- the borrower is taking no cash out of the transaction, and
- the new institutional loan is fully amortized with no balloon payment, and
- the subordination does not place the City loan at greater risk.

Generally the City will *not* approve subordination requests when:

- the City financing is deferred or only partially amortized, and the borrower proposes to take cash out of the transaction, or
- the new institutional financing may result in negative amortization (unless the City is satisfied that there is adequate owner equity (at least 20 to 25%) and excellent credit history), or
- the subordination places the City loan at significantly greater risk, or
- the borrower is not in full compliance with the City's affordability requirements.

For subordination requests that do not fall neatly into either of the above two categories, the City will review the circumstances, and may approve or deny the subordination, or approve it subject

to conditions. For example, where the subordination places the City at a higher (but still acceptable) risk of loss, the City may require an extended period of affordability. As another example, in cases where the borrower is taking out a substantial amount of cash the City may require partial repayment of the City's loan from the cash to be taken out.

City Council and Redevelopment Agency Board have delegated authority to review subordinations on a case-by-case basis, for both affordable rental properties and owner occupied affordable units, and either approve, deny, or approve subject to conditions, provided:

- either the new senior loan amount is no more than the original amount of loan being replaced, or the total loans to property value does not exceed 80%, and
- the subordination does not place the City loan at significantly greater risk, and,
- the borrower is in full compliance with the City's affordability requirements

Such authority is delegated as follows:

1. For single-family or 1-4 unit owner-occupied properties, to the Community Development Director.
2. For multifamily rental properties, to the Loan Committee (comprised of the Finance Director, Assistant City Administrator and the Community Development Director).

XI. RESALE PRICE CALCULATION

Upon resale, affordable units must remain affordable to low or moderate income households in the community. Affordability is assured upon the sale of any affordable unit through the covenant, which sets forth the formula for calculating the maximum allowable price upon resale.

A. Standard Resale Price Formula

To set the price upon resale, Housing Programs staff starts with the price paid by the current owner and increases that price by the percentage increase in Area Median Income (AMI) during the period in which the Owner owned the Property.

B. Mid-Year Adjustment

Each of these indices is established annually. To allow for some projected increase in sales price between publication dates, the following increase shall be allowed:

one-half of the average annual percentage increase in the index over the previous two years, divided by twelve and multiplied by the number of months between the last publication of the index and the date of sale of the unit.

For example, if an affordable unit was sold in November, and the AMI was last published the preceding February, and the AMI increases for the previous two years were three percent and five percent, the mid-year adjustment would be calculated as follows:

$$\frac{1}{2} \times ((3\% + 5\%)/2) \times 1/12 \times 9 \text{ months} = 1.5\%$$

If the seller had bought the affordable unit for \$200,000, the mid year adjustment would amount to an additional \$3,000 to be added to the maximum sale price.

Note that this adjustment allows only one-half of the average recent increase. This is to prevent the adjustment from over-estimating the rate of increase in the index. In past years the growth of the index has sometimes suddenly slowed down, and using one-half of the average is a conservative approach to anticipate such slowdowns.

If this mid-year adjustment is added to the sale price of a unit, on the next resale of that unit, the price increase will be reduced by the amount of the mid-year adjustment which had previously been added, so that the price is not increased by both the real and projected increase during any period.

For example, in the above scenario a mid-year adjustment of \$3,000 was added to the sale price in November. This reflected an estimate of the increase in the AMI from February until November. Let's assume that the buyer paid \$220,000 for the unit in November, and then decided to sell the following March, right after a new AMI was published. The new AMI was 5% higher than that of the prior year. It makes sense to use this actual 5% increase in calculating the resale price. However, the amount of the mid-year adjustment that was given to the previous seller must be subtracted before the actual 5% increase is added. This is so the price is not increased by both the estimated increase in the AMI (the mid-year adjustment given to the previous seller) and the actual increase.

Thus, the resale price would be calculated as follows:

$$(\$220,000 - \$3,000) \times 105\% = \$227,850$$

C. Owner's Improvements

To help assure continued affordability to subsequent purchasers, no price increase or other reimbursement will generally be allowed for property improvements made by the owner. The owner is of course free to make improvements for the owner's benefit and enjoyment, but will not be compensated for such improvements upon sale of the property. The Community Development Director may approve, on a case-by-case basis, exceptions to the policy against price increases for property improvements, provided all of the following conditions are met:

1. The improvements were permanent and substantial.
2. The improvements were not of a decorative or maintenance nature, such as painting, wall coverings, window coverings, or replacement of carpeting. Landscaping plantings and hardscape may be eligible for a price increase, but only to complete a large area (such as a rear yard) that the developer left unimproved.
3. The improvements were not of a luxury nature, such as a spa, whirlpool tub, or brick bar-b-que. A deck or patio may be eligible, but only to the extent needed to provide a reasonable amount of usable outdoor living space. A fireplace addition may be eligible.
4. The allowed price increase for all improvements may not exceed the lower of:

- i. The actual out-of-pocket cost of eligible improvements paid by owner for design,
 - ii. The actual present value of the improvements as determined by City Housing Programs staff. This is the amount that the improvements would add to the market value of the unit at time of sale (ignoring the affordability restrictions). It should be noted that the value added by home improvements is usually less than the cost of the improvements. For example, a survey by Remodeling Online showed that the average homeowner in Los Angeles would recoup only about 70% of the cost of a bathroom remodel upon sale of the house; or,
 - iii. Ten percent (10%) of the otherwise maximum affordable sale price of the unit.
5. The combined actual present value of the eligible improvements as described above is at least one percent (1%) of the affordable sale price of the unit; and
6. The improvements were done with all required City permits and in compliance with any requirements imposed by the homeowners' association and CC&R's.
7. Owners who are planning to make improvements and hope to eventually add the value of the improvements to their sale price are required to obtain pre-approval from the City's Housing Programs office.

D. Other Requirements and Conditions

No percentage increase shall be allowed during such time, if any, that the owner was in violation of the requirements of the covenant. If the property is damaged or if there is substantial deferred maintenance, Housing Programs staff may lower the maximum sale price by the amount needed to repair the damage or to carry out the needed maintenance. The owner may not require the buyer to pay any commissions or other costs of sale typically paid by sellers of residential real property.

The City has the right to inspect an owner's property with reasonable notice to owner.

To assure compliance, the covenant provides that, in the event of default, the City shall have the option to purchase the property at the price determined under the formula, less six percent (6%) to cover the City's resale costs, and less damage repairs. The City may also enforce the covenant through the courts.

Note that the maximum sale price is not a guarantee that the owner will be able to sell for that price. In past years (under very different economic circumstances than today's) some buyers of affordable units have negotiated a price below the maximum price. The lower purchase price then became the basis for the calculation of the maximum sale price upon the next sale of the unit.

XII. CONCLUSION

This summary of the policies and procedures of the City's affordable housing program shows the strength of the City's commitment to encouraging and preserving housing which is affordable to households of all incomes in Santa Barbara.

If you have any questions about the topics covered in this manual, please contact Housing

Programs staff at 805-564-5461

Affordable Housing Units - City of Santa Barbara - by Occupancy Type, FY

Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
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Long-Term Affordability (Covenant or Non-Profit Owner)

Occupancy: Rental (not Sr. only)

606 W. Micheltorena St		1972-73	New	HASB	Housing Auth	3	3				\$0
630 Bath St		1973-74	New	HASB	Housing Auth	4	4				\$0
219-231 Meigs Rd		1973-74	New	HASB	Housing Auth	18	18				\$0
512-522 W. Montecito St	Monteria Village	1973-74	New	HASB	Housing Auth	28	28				\$0
13-21 S. Soledad St	Pearl Gardens	1973-74	New	HASB	Housing Auth	15	15				\$0
323 S. Voluntario St		1973-74	Acquis	HASB	Housing Auth	7	7				\$0
519-521 N. Alisos St		1975-76	Acquis	HASB	Housing Auth	4	4				\$0
1934-1938 Elise Way		1975-76	Acquis	HASB	Housing Auth	16	16				\$0
809-811 Olive St		1975-76	Acquis	HASB	Housing Auth	4	4				\$0
425 E. Ortega St		1975-76	Acquis	HASB	Housing Auth	3	3				\$49,000
431 E. Ortega St		1976-77	New	HASB	Housing Auth	1	1				\$0
420 E. De la Guerra St	Presidio Park Apartments	1979-80	New	For Profit	Misc	50	50				\$0
1114-1120 E. Mason St	Hoit Gardens	1981-82	Acquis	HASB	Housing Auth	10	10				\$50,000
902 Olive St	Olive Townhouses	1981-82	New	HASB	Housing Auth	6	6				\$0
314 W. Canon Perdido St		1981-82	Rehab	For Profit	Misc	14	14				\$73,500
509-511 W. Fig Ave	Fig Apartments	1981-82	Rehab	For Profit	Misc	15	15				\$292,000
412-420 N. Voluntario St	Las Casitas de Voluntario	1981-82	Acq-Rhb	Non Profit	SBCHC	13	13				\$766,500
1831 De la Vina St		1982-83	Acq-Rhb	HASB	Housing Auth	4	4				\$0
602 Eucalyptus Ave		1982-83	Acq-Rhb	HASB	Housing Auth	4	4				\$0
818-826 Laguna St	Presidio Gardens	1982-83	New	HASB	Housing Auth	46	46				\$0
422 Old Coast Hwy	Old Coast Townhouse	1982-83	New	HASB	Housing Auth	5	5				\$0
1913 San Pasqual St		1982-83	Acq-Rhb	HASB	Housing Auth	10	10				\$0
1217,19,21 De la Vina St	1217 DLV	1982-83	Rehab	For Profit	Misc	16	16				\$62,500
610-616 W. Carrillo St	Casa Carrillo	1983-84	New	HASB	Housing Auth	7	7				\$0
1203-1215 Castillo St	Wilson Cottages	1983-84	New	HASB	Housing Auth	24	24				\$25,000

Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
417-421 W. Anapamu St		1984-85	New	For Profit	Misc	10	2	8			\$125,000
620-652 Castillo St	La Casa Castillo	1984-85	New	HASB	Housing Auth	17	17				\$173,528
521 W. Montecito St	Casa Montecito	1984-85	New	For Profit	Garcia, etc	14	3	11			\$150,000
1215-1219 Quinientos St	Los Ninos	1984-85	New	For Profit	Garcia, etc	14	3	11			\$150,000
432 W. Valerio St		1984-85	New	For Profit	Misc	10	2	8			\$90,000
3931-3937 Via Diego	La Colina Apartments	1984-85	New	HASB	Housing Auth	24	24				\$27,706
227 W. Anapamu St		1984-85	Rehab	For Profit	Misc	7	7				\$30,000
625-629 Coronel Pl	Coronel Place	1984-85	Acq-Rhb	Non Profit	SBCHC	20	11	9			\$781,000
247-C E. De la Guerra St	De la Guerra Court	1985-86	New	For Profit	Misc	1	0	1			\$0
1426 Euclid Ave		1985-86	New	For Profit	Misc	1	1				\$0
520 E. Olive/De la Guerra St	aka 730 Olive St	1985-86	New	For Profit	Misc	1	0	1			\$0
224 W. Ortega St		1985-86	New	HASB	Housing Auth	6	6				\$240,000
509-515 W. Victoria St		1985-86	New	HASB	Housing Auth	10	10				\$175,000
910 E. Haley St	N/A	1986-87	New	For Profit	Misc	1	1				\$0
811-815 N. Salsipuedes St		1986-87	New	For Profit	Hawkes	13	3	10			\$180,000
15 E. Haley St	Faulding Hotel	1986-87	Acq-Rhb	Non Profit	SBCHC	81	41	40			\$1,368,500
211-221 Sycamore	Sycamore Gardens	1988-89	New	HASB	Housing Auth	20	20				\$0
217-227 S. Salinas St		1988-89	Acq-Rhb	HASB	Housing Auth	10	10				\$75,000
739 E. Victoria St		1988-89	Rehab	For Profit	Misc	4	4				\$160,000
1306 Garden St	N/A	1989-90	New	For Profit	Misc	4	0	4			\$0
114 La Paz		1989-90	New	For Profit	Misc	2	2				\$0
1910-1912 Robbins St		1989-90	Acq-Rhb	For Profit	Misc	2	0	2			\$0
221-223 W. Victoria St		1989-90	Acquis	HASB	Housing Auth	12	12				\$268,748
125 S. Voluntario St		1989-90	Acquis	HASB	Housing Auth	3	3				\$46,252
232 E. Canon Perdido St	Mixed use office	1990-91	New	For Profit	Misc	1	0	1			\$0
222 Meigs Rd		1990-91	New	For Profit	Misc	2	0	2			\$0
801,813,835 Olive St		1990-91	Acquis	HASB	Housing Auth	18	18				\$400,000
419 State St	Firenze	1990-91	New	For Profit	Misc	2	0	2			\$0
524-524.5 N. Alisos St	Dennis Group Home	1990-91	Rehab	For Profit	Misc	7	7				\$107,200
821 Bath St	Bath Street Terrace	1990-91	Acq-Rhb	Non Profit	SBCHC	12	12				\$470,000

Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
82 N. La Cumbre Rd		1991-92	New	HASB	Housing Auth	11	11				\$260,000
7065-67 Marymount Way		1992-93	New	For Profit	Towbes	2	0	2			\$0
1104 Carpinteria St	Borgatello DB	1993-94	New	For Profit	Borgatello	2	0	2			
2nd Stage Apts.	Domestic Violence Solutions	1993-94	Acq-Rhb	Non Profit	Dom Vio Slns	15	15				\$771,546
47 Broadmoor Pl	Broadmoor	1993-94	Acq-Rhb	Non Profit	SBCHC	15	15				\$598,500
4040 Calle Real	El Patio - Families	1993-94	New	For Profit	Wagner	65	65				\$2,189,000
716 N. Salsipuedes St		1993-94	Acquis	HASB	Housing Auth	4	4				\$72,000
1409 Castillo St	Las Casitas	1993-94	Acq-Rhb	Non Profit	SBCHC	3	3				\$320,450
630 W. Arrellaga St	HASB non-HUD	1994-95	Acquis	HASB	Housing Auth	4	4				\$160,000
922 Castillo St	Casa de las Fuentes	1994-95	New	HASB	Housing Auth	0					\$515,500
424 Rancheria St	Rancheria Village	1994-95	New	For Profit	BP	14	14				\$560,000
933 San Pasqual St		1994-95	Acq-Rhb	Non Profit	SBCHC	6	6				\$274,977
1409 Kenwood Rd	Hilda Ray House	1994-95	Rehab	Non Profit	Misc	1	1				\$49,400
230 E. Figueroa St		1995-96	Rehab	For Profit	Misc	5	5				\$87,300
115-125 W. Anapamu St	Sanctuary Psychiatric	1995-96	Acq-Rhb	Non Profit	Sanctuary	27	27				\$1,100,000
518 E. Canon Perdido St	Mental Health Assoc	1996-97	New	For Profit	BPT	8	8				\$511,000
335 W. Carrillo St	Casa de las Fuentes	1996-97	New	HASB	Housing Auth	0					\$390,000
210 W. Victoria St	Victoria Street Apts/Bungalows	1996-97	Acq-Rhb	Non Profit	PSHHC	11	11				\$819,289
320 S. Salinas St	Transition House	1997-98	Acq-Rhb	Non Profit	Transition Hse	13	13				\$675,500
514-20 W. Sola St		1997-98	Acquis	Non Profit	SBCHC	30	30				\$1,000,830
322 Ladera	Milagro de Ladera	1997-98	Acq-Rhb	Non Profit	PSHHC	51	51				\$1,993,045
4200 Calle Real	St. Vincent's Family	1998-99	New	Non Profit	Mercy	0					\$87,000
1910 San Pasqual St		1998-99	New	HASB	Housing Auth	12	12				\$370,000
421-425 E. Cota St	Transition House	1999-00	Acq-Rhb	Non Profit	Transition Hse	8	8				\$320,000
22 E. Victoria St	Victoria Hotel	1999-00	Acq-Rhb	Non Profit	PSHHC	28	28				\$1,130,000
821 E. Figueroa St		2000-01	Acquis	HASB	Housing Auth	6	6				\$250,000
705 Olive St		2000-01	New	HASB	Housing Auth	3	3				\$210,000
309-319 S. Voluntario St	Voluntario landbank	2000-01	New	HASB	Housing Auth	0					\$1,020,000
335 W. Carrillo St	Casa de las Fuentes	2000-01	New	HASB	Housing Auth	42	42				\$2,184,700
22 E. Victoria St	Victoria Hotel	2000-01	Rehab	Non Profit	PSHHC	0					\$290,000

Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
320 S. Salinas St	Transition House	2001-02	New	Non Profit	Transition Hse	6	6				\$480,000
818 N. Salsipuedes St		2001-02	Acquis	For Profit	Moerler	6	6				\$0
21 E Anapamu St	Casa las Granadas	2001-02	New	Non Profit	PSHHC	0					\$540,000
1409 Castillo St	Las Casitas	2001-02	Rehab	Non Profit	SBCHC	0					\$56,000
514-20 W. Sola St		2001-02	Rehab	Non Profit	SBCHC	0					\$60,000
625-629 Coronel Pl	Coronel Place	2001-02	Rehab	Non Profit	SBCHC	0					\$99,000
1114-1120 E. Mason St	Hoit Gardens	2001-02	Rehab	HASB	Housing Auth	0					\$196,000
4200 Calle Real	St. Vincent's Family	2002-03	New	Non Profit	Mercy	0					\$2,400,000
315-321 W. Carrillo St	Carrillo Landbanking	2002-03	New	HASB	Housing Auth	0					\$2,075,000
210 W. Victoria St	Victoria Street Apts/Bungalows	2002-03	New	Non Profit	PSHHC	6	6				\$591,000
309-327 S. Voluntario St	Paseo Voluntario	2002-03	New	HASB	Housing Auth	20	20				\$980,000
617 Garden St	Mental Health Assoc	2003-04	New	Non Profit	SBMHA	0					\$385,000
4234 Pozzo Crcl	St. Vincent's Family	2003-04	New	Non Profit	Mercy	75	75				\$6,124,950
2nd Stage Apts.	Domestic Violence Solutions	2003-04	Rehab	Non Profit	Dom Vio Slns	0					\$250,000
21 E Anapamu St	Casa las Granadas	2004-05	New	Non Profit	PSHHC	12	12				\$1,101,000
320 S. Salinas St		2004-05	Rehab	Non Profit	Transition Hse	0	0				\$160,000
15 E. Haley St	Faulding Hotel	2004-05	Rehab	Non Profit	SBCHC	0					\$895,000
421 N Alisos St		2005-06	New	For Profit	Lomeli	1	1				
315-321 W. Carrillo St	El Carrillo	2005-06	New	HASB	Housing Auth	62	62				
617 Garden St	Mental Health Assoc	2005-06	New	Non Profit	SBMHA	51	51				\$5,100,000
416-424 E. Cota St	Haagen Landbank	2005-06	New	HASB	Housing Auth	0					\$2,000,000
2nd Stage Apts.	Domestic Violence Solutions	2005-06	Rehab	Non Profit	Dom Vio Slns	0					\$10,000
15 E. Haley St	Faulding Hotel	2005-06	Rehab	Non Profit	SBCHC	0					\$230,000
22 E. Victoria St	Victoria Hotel	2006-07	Rehab	Non Profit	PSHHC	0					\$95,000
933 San Pasqual St		2006-07	Rehab	Non Profit	SBCHC	0	0				\$125,000
512-518 Bath St		2007-08	New	HASB	Housing Auth						\$4,800,000
126 E. Canon Perdido St	Jimmy's Oriental Gardens	2007-08	Acquis	Non Profit	SBTrustHistoric	1	1	0	0	0	
633 De la Vina St		2007-08	Acq-Rhb	HASB	Housing Auth	8	8				\$741,080
933 San Pasqual St		2007-08	Rehab	Non Profit	SBCHC	0					\$185,000
421-425 E. Cota St	Mom's Property Predevelopment	2008-09	New	Non Profit	Transition Hse						\$120,000

Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
617 Garden St	Mental Health Assoc	2008-09	New	Non Profit	SBMHA	0					\$1,200,000
210 W. Victoria St	Victoria Street Apts/Bungalows	2008-09	Rehab	Non Profit	PSHHC						\$3,500
22 E. Victoria St	Victoria Hotel	2008-09	Rehab	Non Profit	PSHHC	0					\$50,000
115 W Anapamu St	Hollister House Apartments	2008-09	Rehab	Non Profit	Sanctuary	8	8				\$250,000
633 De la Vina St		2008-09	Rehab	HASB	Housing Auth	0					\$250,000
512-518 Bath St		2009-10	New	HASB	Housing Auth	54	54				\$1,600,000
421-425 E. Cota St	Mom's Place	2009-10	New	Non Profit	Transition Hse	8	8				\$680,000
421-425 E. Cota St	Mom's Place	2009-10	New	Non Profit	Transition Hse						\$320,000
630 Bath St		2009-10	New	HASB	Housing Auth	2	2				\$0
416-424 E. Cota St	Artisan Court	2009-10	New	HASB	Housing Auth	55	55				\$3,200,000
224 W. Ortega St		2009-10	Rehab	HASB	Housing Auth	0					\$13,000
15 E. Haley St	Faulding Hotel	2009-10	Rehab	Non Profit	SBCHC	0					\$25,000
625-629 Coronel Pl	Coronel Place	2009-10	Rehab	Non Profit	SBCHC	0					\$32,000
421-425 E. Cota St	Mom's	2009-10	Rehab	Non Profit	Transition Hse						\$100,000
633 De la Vina St		2009-10	Rehab	HASB	Housing Auth	0					\$110,000
322 Ladera	Milagro de Ladera	2009-10	Rehab	Non Profit	PSHHC	0					\$135,000
617 Garden St	Mental Health Assoc	2009-10	Rehab	Non Profit	SBMHA						\$360,000
SUBTOTALS for Occupancy: Rental (not Sr. only)						1417	1303	114	0	0	\$62,674,001

Occupancy: Rental - Senior only

2109 De la Vina St	Palm Tree Apts	1974-75	Acquis	Non Profit	Battistone Fnd	40	40				
105 W. Sola St	Edgerly Apartments	1974-75	Acq-Rhb	Non Profit	Battistone Fnd	113	113				\$0
721 Laguna St	Presidio Springs	1975-76	New	HASB	Housing Auth	122	122				\$2,000,000
417 Santa Fe Pl	SHIFCO	1976-77	New	HASB	Housing Auth	107	107				\$5,885,000
1325 Chapala St	Edgerly New Construct.	1981-82	New	Non Profit	Battistone Fnd	19	19				\$0
175 S. La Cumbre Ln	Vista La Cumbre	1982-83	New	HASB	Housing Auth	36	36				\$0
649 Pilgrim Terrace	Pilgrim Terrace	1982-83	New	Non Profit	SBCHC	84	84				\$500,000
401-404 Transfer Ave	Castillo Court	1982-83	New	HASB	Housing Auth	8	8				\$251,896
2721 Miradero Dr	Arroyo Miradero	1983-84	New	HASB	Housing Auth	10	10				\$107,582
1511 Bath St		1984-85	New	For Profit	Smagala	10	2	8			\$120,000

Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
1215 Cacique St		1984-85	New	For Profit	Misc	5	4	1			\$0
209 W. Cota St		1984-85	New	For Profit	Smagala	6	2	4			\$90,000
1920-1922 San Pasqual St		1985-86	New	For Profit	Hawkes	14	5	9			\$280,000
521 N. La Cumbre Rd	Villa La Cumbre	1986-87	New	For Profit	BP	0					\$301,838
222 W. Micheltorena St		1986-87	New	For Profit	Smagala	12	5	7			\$0
817 Olive St		1986-87	New	HASB	Housing Auth	7	7				\$126,600
1018-1028 Castillo St	Castillo Homes	1986-87	New	Non Profit	SBCHC	32	32				\$905,500
203-201 Hitchcock St	Rancho Franciscan	1987-88	New	For Profit	Schuck	111	0	111			\$0
1027 E. Ortega St		1987-88	Acquis	HASB	Housing Auth	6	6				\$100,000
2525 De la Vina St		1990-91	Acquis	HASB	Housing Auth	6	6				\$192,000
227 W. De la Guerra St	Cottage Garden Apts	1991-92	New	HASB	Housing Auth	17	17				\$404,000
1012-1024 E. De la Guerra S	Casitas De la Guerra	1991-92	New	HASB	Housing Auth	15	15				\$591,000
4040 Calle Real	El Patio - Seniors	1993-94	New	HASB	Housing Auth	48	48				\$1,161,000
616 W. Mission St	HASB	1994-95	Acq-Rhb	HASB	Housing Auth	6	6				\$130,000
1116 De la Vina	Garden Court	1997-98	New	HASB	Housing Auth	98	98				\$2,750,000
521 N. La Cumbre Rd	Villa La Cumbre	1999-00	Acquis	HASB	Housing Auth	60	60				\$886,700
803 Laguna St	Laguna Cottages for Seniors	2000-01	Rehab	Non Profit	Laguna Cot.	44	44				\$1,472,350
818 Garden St	Laguna Cottages New	2001-02	New	Non Profit	Laguna Cot.	11	11				\$807,000
649 Pilgrim Terrace	Pilgrim Terrace	2001-02	Rehab	Non Profit	SBCHC	0					\$740,000
4200 Calle Real	St. Vincent's Senior	2002-03	New	Non Profit	Mercy	0					\$1,200,000
4202 Calle Real	St. Vincent's Senior	2004-05	New	Non Profit	Mercy	95	95				\$7,593,443
417 Santa Fe Pl	SHIFCO	2005-06	Rehab	HASB	Housing Auth	0					\$400,000
417 Santa Fe Pl	SHIFCO	2008-09	Rehab	HASB	Housing Auth						\$200,000
227 W. De la Guerra St	Cottage Garden Apts	2009-10	Rehab	HASB	Housing Auth						\$45,000
521 N. La Cumbre Rd	Villa La Cumbre	2009-10	Rehab	HASB	Housing Auth						\$90,000
SUBTOTALS for Occupancy: Rental - Senior only						1142	1002	140			\$29,330,909

Occupancy: Ownership

3902-3930 Via Diego	La Colina Village	1981-82	New	Non Profit	SBCHC	50	0	50			\$675,000
825 W. Victoria St	Unit One	1981-82	Acq-Rhb	Non Profit	HFP	2	0	2			\$70,000

Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
720 Castillo St	The Commons	1982-83	New	Non Profit	HFP	3	0	3			\$304,082
820 W. Victoria St		1983-84	New	For Profit	Misc	1	0	1			\$0
2001 Elise Way	Maravillas	1984-85	New	Non Profit	HFP	6	0	6			\$115,000
22 N. Voluntario St	Los Suenos	1984-85	New	Non Profit	HFP	6	2	4			\$144,000
3558-3578 Modoc Rd	Arroyo Verde	1985-86	New	For Profit	Misc	14	0	14			\$0
329 W. Ortega St	Ortega Homes	1985-86	New	Non Profit	HFP	3	0	3			\$120,000
1019 Quinientos St	La Ventura	1985-86	New	Non Profit	HFP	10	0	10			\$196,000
915-919 Bath St	Old Vic	1986-87	Acq-Rhb	Non Profit	HFP	3	0	3			\$190,000
1030 Quinientos St	Campo Feliz	1986-87	New	Non Profit	HFP	18	0	18			\$410,000
414 W. De la Guerra St	Casa Chula	1987-88	New	Non Profit	HFP	5	0	5			\$175,000
3708-3773 Gregory Way	Franciscan Villas	1987-88	New	For Profit	Schuck	46	0	46			\$0
1310 San Andres St	Canto Arroyo Condo	1988-89	New	Non Profit	HFP	5	0	5			\$197,250
1920 Robbins St	Oak Court Condos	1989-90	New	Non Profit	SBCHC	6	0	6			\$350,000
211 W. Gutierrez St	El Zoco	1990-91	New	Non Profit	HFP	17	0	17			\$850,000
33 Ocean View Ave	Pueblo Andaluz	1990-91	New	Non Profit	HFP	10	0	10			\$414,000
1838 San Andres St	Pine Cone Condos	1990-91	New	Non Profit	HFP	10	0	10			\$455,000
2014-2016 Modoc Rd	Oak Creek	1991-92	Acquis	Non Profit	HFP	5	0	5			\$200,000
827 W. Anapamu St	Seven Oaks	1992-93	Acq-Rhb	Non Profit	HFP	5	0	5			\$240,000
Scattered site	Scattered Site Owners	1995-96	Acquis	HASB	Housing Auth	6	6				\$441,375
800-1100 Westmont Rd	Las Barrancas	1995-96	New	Non Profit	Westmont	30		30			\$0
3800 La Cumbre Hills Ln	La Cumbre Hills	1996-97	New	For Profit	Towbes	22	0		22		\$0
2424 De la Vina	Condo Conversion	1997-98	Acquis	For Profit	Misc	1	0	1			\$0
315 W. Los Olivos St	Los Olivos Village	1997-98	New	For Profit	BP	9	0	9			\$560,000
350 Chapala St	Chapala Lofts	2001-02	New	For Profit	B3	3		3			\$45,000
2438-2520 Modoc Rd	Greenwell Acres	2002-03	New	For Profit	Lee Group	5			3	2	
401 Chapala St	Chapala One	2003-04	New	For Profit	Levy	11			11		
721 Chapala St	Paseo Chapala	2003-04	New	For Profit	Bermant	8		5	3		
2109 Cliff Dr		2003-04	New	For Profit		3			3		
3965 Via Lucero	Habitat for Humanity	2003-04	New	Non Profit	Habitat	3	3				\$240,000
121 W. De la Guerra St		2004-05	New	For Profit	Misc	3			3		\$0

Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
4004 Via Lucero St		2005-06	New	For Profit	Misc	2			2		
618 San Pasqual	Habitat #2	2006-07	New	Non Profit	Habitat	4	4				\$660,000
618 San Pasqual	Habitat #2	2006-07	New	Non Profit	Habitat	0					\$400,000
SUBTOTALS for Occupancy: Ownership						335	15	271	47	2	\$7,451,707

Occupancy: Owner-occupied Mobilehome

1200 Punta Gorda St	SB Green Mobile Home	1988-89	Acq-Rhb	Non Profit	SBCHC	47	47				\$25,000
1212 Punta Gorda St	Holiday Mobile Home Pk	1988-89	Acq-Rhb	Non Profit	SBCHC	23	23				\$200,000
SUBTOTALS for Occupancy: Owner-occupied Mobilehome						70	70				\$225,000

Occupancy: Group

1931 Red Rose Way	Work Training Program	1983-84	Rehab	Non Profit	Work Training	12	12				\$25,000
301 W. Figueroa St	KBSAY	1985-86	Rehab	Non Profit	Klein Bottle	6	6				\$61,434
125 W. Carrillo St	Hotel de Riviera	1988-89	Acq-Rhb	Non Profit	SBCHC	31	31				\$468,500
3030 De la Vina St	Fire House	1989-90	Acq-Rhb	HASB	Housing Auth	0					\$186,624
18-20 E. Sola St	Heath House	1990-91	Acq-Rhb	Non Profit	CCCC	7	7				\$38,550
434 E. Ortega St	Transition House	1992-93	Acq-Rhb	Non Profit	Transition Hse	70	70				\$705,000
2612 Modoc Rd	Sarah House	1993-94	New	HASB	Housing Auth	11	11				\$745,000
107 E. Micheltorena St	Phoenix House	1993-94	Rehab	Non Profit	Phoenix	11	11				\$262,700
816 Cacique St	Homeless Center	1999-00	Acq-Rhb	Non Profit		230	230				\$1,720,000
1920 Chino St	Work Training Program	1999-00	Rehab	Non Profit	Work Training	16	16				\$135,000
106 Juana Maria	Casa Juana Maria	2003-04	Acquis	Non Profit	SBMHA	6	6				\$425,000
125 W. Carrillo St	Hotel de Riviera	2003-04	Rehab	Non Profit	SBCHC	0					\$210,000
3030 De la Vina St	Fire House	2005-06	Rehab	HASB	Housing Auth	16	16				\$185,000
106 Juana Maria	Casa Juana Maria	2006-07	Rehab	Non Profit	SBMHA	0					\$160,000
3030 De la Vina St	Fire House	2007-08	Rehab	HASB	Housing Auth	0					\$15,000
2612 Modoc Rd	Sarah House	2007-08	Rehab	Non Profit	Sarah House	0					\$140,000
2612 Modoc Rd	Sarah House	2009-10	Rehab	Non Profit	Sarah House	0					\$40,000
125 W. Carrillo St	Hotel de Riviera	2009-10	Rehab	Non Profit	SBCHC						\$60,000

SUBTOTALS for		Occupancy: Group	416	416	\$5,582,808
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909 Veronica Springs Rd	Secondary Dwelling	1986-87	New	Secondary D	"Secondary Dwel	1	1				\$0
429 Stanley Dr	Secondary Dwelling	1995-96	New	Secondary D	"Secondary Dwel	1	1				\$0
2044 Chino St	Secondary Dwelling	1997-98	New	Secondary D	"Secondary Dwel	1	1				\$0
1610 Cliff Dr	Secondary Dwelling	1997-98	New	Secondary D	"Secondary Dwel	1	1				\$0
2511 Chapala St	Secondary Dwelling	2001-02	New	Secondary D	"Secondary Dwel	1	1				
3325 Madrona Dr	Secondary Dwelling	2003-04	New	Secondary D	"Secondary Dwel	1	1				
3617 Tierra Bella	Secondary Dwelling	2003-04	New	Secondary D	"Secondary Dwel	1	1				
10 E. Calle Crispis St	Secondary Dwelling	2006-07	New	Secondary D	"Secondary Dwel	1	1				
2717 Samarkand St	Secondary Dwelling	2006-07	New	Secondary D	"Secondary Dwel	1		1			
2 Skyline Crcl	Secondary Dwelling	2007-08	New	Secondary D	"Secondary Dwel	1	1				
1126 Del Mar St		2009-10	New	Secondary D	"Secondary Dwel	1	0	0	0	0	

SUBTOTALS for	<i>Long-Term Affordability (Covenant or Non-Profit Owner)</i>	3391	2815	526	47	2	\$105,264,425
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Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
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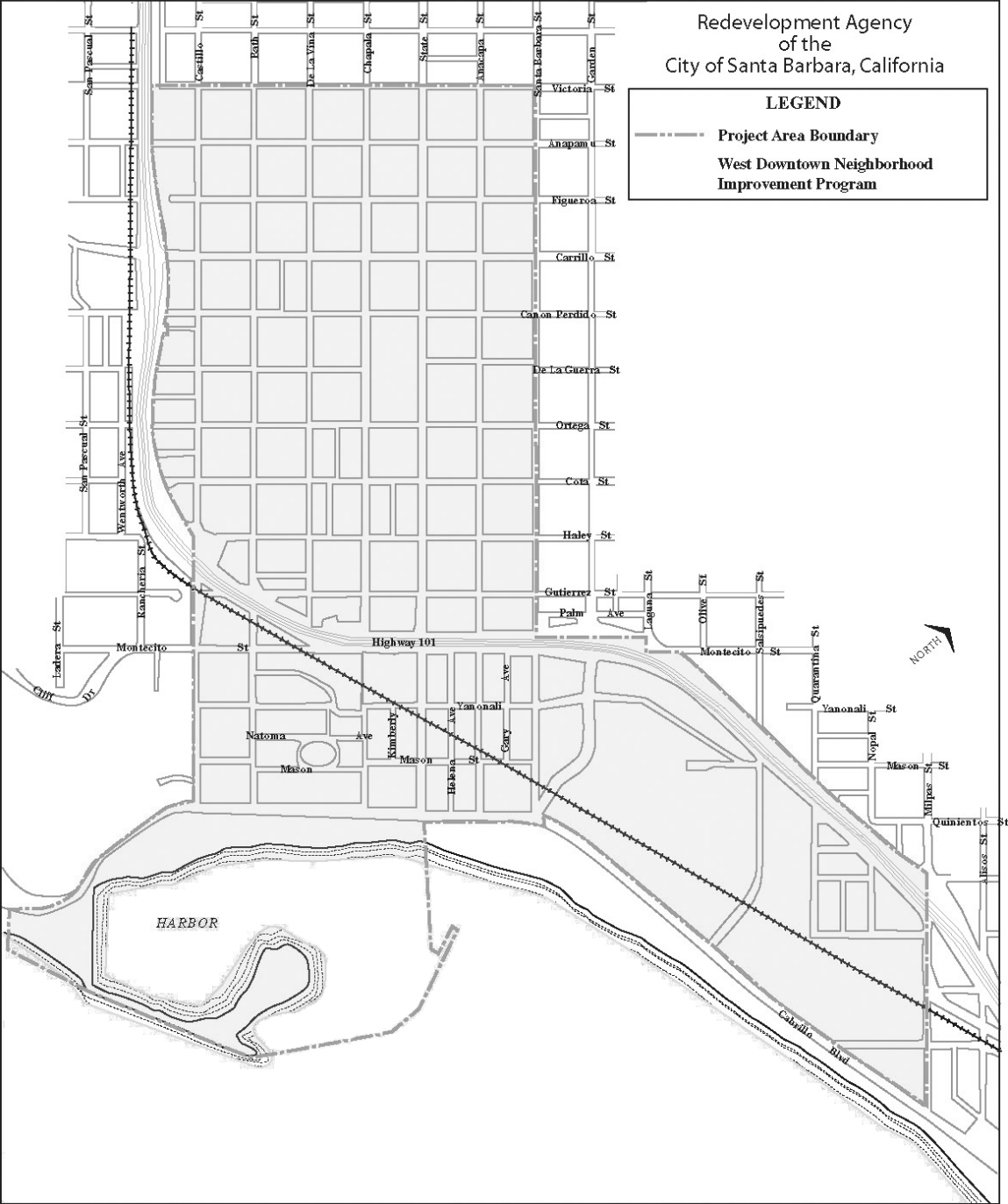
HRLP-Owner Occ.

Occupancy: Ownership - HRLP

FY77 HRLP	OwnOcc& small rentals	1976-77	Rehab	HRLP Owner	HRLP clients	7	7				\$35,000
FY78 HRLP	OwnOcc& small rentals	1977-78	Rehab	HRLP Owner	HRLP clients	42	42				\$500,000
FY79 HRLP	OwnOcc& small rentals	1978-79	Rehab	HRLP Owner	HRLP clients	32	32				\$638,825
FY80 HRLP	OwnOcc& small rentals	1979-80	Rehab	HRLP Owner	HRLP clients	36	36				\$642,658
FY81 HRLP	OwnOcc& small rentals	1980-81	Rehab	HRLP Owner	HRLP clients	32	32				\$478,850
FY82 HRLP	OwnOcc& small rentals	1981-82	Rehab	HRLP Owner	HRLP clients	41	41				\$798,940
FY83 HRLP	OwnOcc& small rentals	1982-83	Rehab	HRLP Owner	HRLP clients	37	37				\$737,400
FY84 HRLP	OwnOcc& small rentals	1983-84	Rehab	HRLP Owner	HRLP clients	36	36				\$719,550
FY85 HRLP	OwnOcc& small rentals	1984-85	Rehab	HRLP Owner	HRLP clients	19	19				\$443,243
FY86 HRLP	OwnOcc& small rentals	1985-86	Rehab	HRLP Owner	HRLP clients	29	29				\$776,727
FY87 HRLP	OwnOcc& small rentals	1986-87	Rehab	HRLP Owner	HRLP clients	21	21				\$576,584
FY88 HRLP	OwnOcc& small rentals	1987-88	Rehab	HRLP Owner	HRLP clients	11	11				\$300,199
FY89 HRLP	OwnOcc& small rentals	1988-89	Rehab	HRLP Owner	HRLP clients	19	19				\$546,900
FY90 HRLP	OwnOcc& small rentals	1989-90	Rehab	HRLP Owner	HRLP clients	18	18				\$784,605
FY91 HRLP	OwnOcc& small rentals	1990-91	Rehab	HRLP Owner	HRLP clients	14	14				\$631,191
FY92 HRLP	OwnOcc& small rentals	1991-92	Rehab	HRLP Owner	HRLP clients	12	12				\$620,250
FY93 HRLP	OwnOcc& small rentals	1992-93	Rehab	HRLP Owner	HRLP clients	12	12				\$538,740
FY94 HRLP	OwnOcc& small rentals	1993-94	Rehab	HRLP Owner	HRLP clients	10	10				\$397,853
FY95 HRLP	OwnOcc& small rentals	1994-95	Rehab	HRLP Owner	HRLP clients	23	23				\$579,450
FY96 HRLP	OwnOcc& small rentals	1995-96	Rehab	HRLP Owner	HRLP clients	14	14				\$341,747
FY97 HRLP	OwnOcc& small rentals	1996-97	Rehab	HRLP Owner	HRLP clients	12	12				\$295,180
FY98 HRLP	OwnOcc& small rentals	1997-98	Rehab	HRLP Owner	HRLP clients	11	11				\$400,500
FY99 HRLP	OwnOcc& small rentals	1998-99	Rehab	HRLP Owner	HRLP clients	14	14				\$333,150
FY00 HRLP	OwnOcc& small rentals	1999-00	Rehab	HRLP Owner	HRLP clients	12	12				\$536,000
FY01 HRLP	OwnOcc& small rentals	2000-01	Rehab	HRLP Owner	HRLP clients	7	7				\$270,790
FY02 HRLP	OwnOcc& small rentals	2001-02	Rehab	HRLP Owner	HRLP clients	7	7				\$502,385
FY03 HRLP	OwnOcc& small rentals	2002-03	Rehab	HRLP Owner	HRLP clients	10	10				\$734,520

Address	Project Name	Fiscal Year	New, Rehab, Acquis	Developer Type	Developer	Afford Units	# Low Inc	# Mod Inc	# Mid Inc	Upper-Mid	Total City Financing
FY04 HRLP	OwnOcc& small rentals	2003-04	Rehab	HRLP Owner	HRLP clients	7	7				\$695,000
FY05 HRLP	OwnOcc& small rentals	2004-05	Rehab	HRLP Owner	HRLP clients	3	3				\$165,000
FY06 HRLP	OwnOcc& small rentals	2005-06	Rehab	HRLP Owner	HRLP clients	7	7				\$402,500
FY07 HRLP	OwnOcc& small rentals	2006-07	Rehab	HRLP Owner	HRLP clients	5	5				\$164,000
FY08 HRLP	OwnOcc& small rentals	2007-08	Rehab	HRLP Owner	HRLP clients	7	7				\$258,000
FY09 HRLP	OwnOcc& small rentals	2008-09	Rehab	HRLP Owner	HRLP clients	5	5				\$123,000
FY10 HRLP	OwnOcc& small rentals	2009-10	Rehab	HRLP Owner	HRLP clients	2	2				\$20,000
SUBTOTALS for Occupancy: Ownership - HRLP						574	574				\$15,988,737
SUBTOTALS for <i>HRLP-Owner Occ.</i>						574	574				\$15,988,737
- Section 8 Vouchers in use (not already counted above)											
Occupancy: Section 8 Vouchers (non-dupl)											
Throughout City	Section 8 Vouchers	Current	Vouchers	HASB	Housing Auth	1375	1375				
SUBTOTALS for Occupancy: Section 8 Vouchers (non-dupl)						1375	1375				
SUBTOTALS for <i>- Section 8 Vouchers in use (not already counted above)</i>						1375	1375				
GRAND TOTALS FOR ALL AFFORDABLE UNITS:						5340	4764	526	47	2	\$121,253,162

Santa Barbara Central City Redevelopment Project Area



APPENDIX C

CITY'S DENSITY BONUS ORDINANCE

28.87.400 DENSITY BONUS AND DEVELOPMENT INCENTIVES

A. INTENT

The intent of this section is to provide incentives for the development of housing affordable to very-low income, low income, senior and other qualifying households. State law mandates the provision of density bonuses to senior, very-low, and low income households under certain circumstances. The City of Santa Barbara has created a separate density bonus program for certain other households. Both the State mandated and City created density bonus programs use terms defined in this section.

B. DEFINITIONS

The following words and phrases have the meaning indicated unless the context or usage clearly requires a different meaning:

1. Density. The number of residential units allowed on a parcel based on the lot area requirements specified in the zone and General Plan.
2. Density Bonus. A density increase over the otherwise maximum allowable residential density under the applicable Zoning Ordinance and Land Use Element of the General Plan as of the date of application by the developer to the City.

C. PROJECTS WHICH MEET THE CRITERIA SET FORTH IN STATE DENSITY BONUS LAW

1. Qualifying housing developments as defined in Government Code Section 65915.

When a developer of housing agrees or proposes to construct at least:

- a. 20% of the total units of a housing development for low income households; or
- b. 10% of the total units of a housing development for very low income households;
or
- c. 50 percent of the total dwelling units of a housing development for senior citizens;

The applicant must submit the project for review by the Community Development Director or his/her designee to determine whether the project meets the criteria set forth in State density bonus law. If the Director determines that the project meets the criteria of State law, the project may be granted a density bonus and at least one other incentive as required by State law, and processed as required by State law unless otherwise requested by the applicant. The incentives and processing provisions required by State law are described in Government Code Section 65915.

2. Procedure for review of projects submitted under State density bonus law.

A project which meets all the requirements of State law shall be processed according to the usual discretionary review procedure, subject to the following exceptions:

- a. LOT AREA MODIFICATION. Notwithstanding any other section in this Code, when a proposed project complies with all of the requirements of State density bonus law, and the density bonus requested is no more than the density bonus mandated by State law, the Community Development Director or his/her designee shall deem the project's density consistent with the Zoning Ordinance, and exempt from the requirement for a lot area modification as set forth in subsection 28.92.026.A.2.
- b. NOTICE OF DESIGN REVIEW BOARD HEARING. When the Community Development Director determines that a proposed project meets all the requirements of State law and the requirements of the residential zoning category in which the project is proposed, and does not cause any unavoidable, significant, environmental impacts, and requires design review as its only City discretionary approval, the appropriate Design Review Board (Historic Landmarks Commission or Architectural Board of Review) will review the project. Notice of the meeting at which the project is considered by the Design Review Board will be provided in accordance with the requirements for noticing of public hearings in Municipal Code subsection 28.92.023.3.

D. PROJECTS WHICH DO NOT MEET THE CRITERIA SET FORTH IN STATE DENSITY BONUS LAW.

1. Qualifying Housing Developments

When a developer proposes a development which does not meet the criteria listed above and requests a density bonus, the Community Development Director or his/her designee will review the project for consistency with the criteria of the City's density bonus program, described in the City of Santa Barbara Affordable Housing Policies and Procedures Manual. If the proposed project is determined to be consistent with the criteria of the City's density bonus program, it will be approved or disapproved under the provisions of that program.

2. Procedures for approval of projects which are consistent with the City density bonus program.

A project which does not meet all the requirements of State law, but does meet the standards of the City Density Bonus program will be processed according to the discretionary review procedures in effect and applicable to the project.
(Ord. 4912, 1995.)

Chapter 28.88

CONVERSION OF DWELLING UNITS TO CONDOMINIUMS, HOTELS OR SIMILAR USES

Sections:

28.88.010	Purpose.	28.88.060	Additional Submittals for Conversions to Condominiums or Hotel Units.
28.88.020	Community Apartments and Stock Cooperatives.	28.88.070	Acceptance of Reports.
28.88.025	Date of Conversion.	28.88.080	Copy to Buyers.
28.88.028	Permit Required; Exceptions.	28.88.090	Hearing.
28.88.029	Issuance of Permits.	28.88.100	Tenant Protection Provisions.
28.88.030	Requirements and Procedures.	28.88.110	Effect of Proposed Conversion on the City's Low- and Moderate-Income Housing Supply.
28.88.040	Physical Standards for Condominium Conversions.	28.88.120	Findings.
28.88.045	Conversions of Dwelling Units to Hotels or Similar Uses.	28.88.130	Maximum Number of Conversions.
28.88.050	Application Requirements for Condominium and Time Share Conversions.		
28.88.055	Application Requirements for Conversions to Hotels or Similar Uses.		

28.88.010 Purpose.

A. To establish criteria for the conversion of existing multiple family rental housing to condominiums, community apartments, cooperative apartments, hotels or similar uses.

B. To reduce the impact of such conversions on residents in rental housing who may be required to relocate due to the conversion of apartments to condominiums, community apartments, and stock cooperatives, hotels or similar uses by providing procedures for notification and adequate time and assistance for such relocation.

C. To insure that the purchasers of converted housing have been properly informed as to the physical condition of the structure which is offered for purchase.

D. To insure that converted housing achieves high quality appearance and safety, and is consistent with the goals of the City's General Plan and conforms or is legally nonconforming with the density requirements of the General Plan's Land Use Element.

E. To attempt to balance the opportunity for housing ownership of all types, for all levels of income and in a variety of locations with the need to maintain a supply of rental housing which is adequate to meet the housing needs of the community.

F. To attempt to maintain a supply of rental housing for low and moderate income persons and families. (Ord. 4716, 1991; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4014 §1, 1979; Ord. 4000 §2, 1979.)

28.88.020 Community Apartments and Stock Cooperatives.

Conversion to community apartments and stock cooperatives shall be subject to the same restrictions, conditions, and requirements as condominiums. All references to a "condominium" in this Chapter shall be deemed to include community apartment, and stock cooperative, except where specifically noted. (Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4000 §2, 1979.)

28.88.025 Date of Conversion.

As used in this Chapter, the "date of conversion" for condominium conversions shall mean the date the final or parcel map for the project is filed with the County Recorder following its approval by the Staff Hearing Officer or Planning Commission or, if an appeal is filed, by the City Council. For hotels or similar uses, the "date of conversion" is the date of issuance of the conversion permit by the Chief Building Official after the Staff Hearing Officer or Planning Commission, or the City Council on appeal, approves the conversion. (Ord. 5380, 2005; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4048, 1980; Ord. 4000 §2, 1979.)

28.88.028 Permit Required; Exceptions.

A. **PERMIT REQUIRED.** No person, firm, corporation, partnership or other entity shall convert existing dwelling units to a condominium, hotel or similar use without first having said conversion approved by the Planning Commission or the City Council on appeal, and having been issued a conversion permit by the Chief Building Official. For conversions of dwelling units to condominium units, the body that shall serve as the Advisory Agency for the required subdivision, as specified in Section 27.03.010 of this Code, shall review the application for the conversion pursuant to this Chapter 28.88.

B. EXCEPTIONS TO REQUIREMENTS FOR CONVERSION PERMITS.

The following shall be exempt from the provisions of this Chapter:

1. A project creating a condominium, hotel or similar use and using no more than one (1) existing dwelling unit as part of said project shall not be considered a conversion. To qualify for this exception, the number of dwelling units on the project site shall not have been previously reduced by use of this exception clause. For the purposes of this exclusion, the number of existing dwelling unit(s) shall be determined on the date of application for the permit. If the project calls for destruction of the structure housing the dwelling unit(s), those units shall not be counted as existing unit(s).

2. A stock cooperative or community apartment which has received final approval from the California Department of Real Estate or has otherwise been legally created prior to the adoption date of the ordinance establishing this Chapter.

No exception under this Subsection shall affect the applicability of the Zoning Ordinance, the California Building Code as adopted and amended by the City, or other applicable ordinances or regulations. (Ord. 5451, Section 5, 2008; Ord. 5380, 2005; Ord. 4716, 1991; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4000 §2, 1979.)

28.88.029 Issuance of Permits.

The Chief of Building and Zoning shall issue a conversion permit when he determines that:

A. The applicant has complied with all the applicable City or State regulations in effect at the time the conversion application was deemed to be complete, and

B. The applicant has complied with the conditions of approval.

Once issued, the conversion permit can be revoked only because of the failure of the applicant or his successors in interest to comply with the conditions of approval.

An approval shall expire if the tentative subdivision map expires. For hotels or similar uses, an approval shall expire in the same period of time as projects requiring a tentative map unless a conversion permit has been issued by the Chief of Building and Zoning. (Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4048, 1980; Ord. 4000 §2, 1979.)

28.88.030 Requirements and Procedures.

No existing building containing a dwelling unit shall be approved for conversion to a condominium or hotel unless it meets the standards set forth in the following requirements:

A. All residential buildings shall, on the date of conversion, be in compliance with the minimum standards of the Uniform Housing Code as adopted by the City of Santa Barbara and those of the State of California.

B. All buildings shall, on the date of conversion, be in compliance with the exit and occupancy requirements and the height and area requirements for the type of construction and occupancy involved as outlined in the California Building Code as adopted and amended by the City.

C. All buildings sought to be converted are, on the date of conversion, in all respects in compliance with the Zoning Ordinance and the goals and policies of the General Plan, or legally nonconforming therewith. Notwithstanding the provisions of Santa Barbara Municipal Code Section 28.87.030, any legally nonconforming building or buildings for which a condominium conversion application is approved may be remodeled or otherwise physically changed provided the changes do not increase or intensify the element of the building that is nonconforming.

D. All condominium projects differentiated from hotels or similar uses, shall be subject to all applicable provisions of the Subdivision Map Act and Title 27 of this Code.

E. Once a building permit has been issued, a building may not be converted unless the certificate of occupancy for the building was issued more than five (5) years prior to the date the owner files with the City an application for the approval of a tentative condominium map or conversion to a hotel or similar use, unless the building satisfies the City's requirements for new condominium construction. (Ord. 5451, Section 5, 2008; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4000 §2, 1979.)

28.88.040 Physical Standards for Condominium Conversions.

To achieve the purpose of this article, the Staff Hearing Officer or Planning Commission, prior to the date of conversion, shall require that all condominium conversions conform to the Santa Barbara Municipal Code in effect at the time of approval except as otherwise provided in this Chapter. The Staff Hearing Officer or Planning Commission, prior to the date of conversion, shall require conformance with the standards of this section in approving an application for conversion.

A. **UNIT SIZE.** The enclosed living or habitable area of each unit shall be not less than 600 square feet.

B. **FIRE PREVENTION.**

1. **Smoke Detectors.** Each living unit shall be provided with approved detectors of products of combustion other than heat conforming to standards of the California Building Code as adopted and amended by the City, mounted on the ceiling or wall at a point centrally located in the corridor or area giving access to rooms used for sleeping purposes.

2. **Maintenance of Fire Protection Systems.** All on-site fire hydrants, fire alarm systems, portable fire extinguishers, and other fire protective appliances shall be retained in an operable condition at all times, maintained by the Homeowner's Association and delineated in the Covenants, Conditions and Restrictions.

C. SOUND TRANSMISSION.

Wall and floor-ceiling assemblies shall conform to Title 25, California Code of Regulations, Section 1092, or its successor, or permanent mechanical equipment, including domestic appliances, which is determined by the Chief Building Official to be a potential source of vibration or noise, shall be shock mounted, isolated from the floor and ceiling, or otherwise installed in a manner approved by the Chief Building Official to lessen the transmission of vibration and noise. Floor covering may only be replaced by another floor covering that provides the same or greater insulation. The requirements of this paragraph shall not apply to a unit in a building with no other unit(s).

D. UTILITY METERING.

1. The consumption of gas and electricity within each unit shall be separately metered so that the unit owner can be separately billed for each utility. Each unit shall have its own electrical panel, or access thereto, for all electrical circuits which serve the unit. A gas shut-off valve shall be provided for each unit and for each gas appliance.

2. Each dwelling unit shall be served by a separate City water meter. An additional separate City meter shall be provided to serve the landscaped areas in projects that include five or more dwelling units.

3. All plumbing fixtures shall conform to the standards for water saving devices as contained in the Uniform Plumbing Code as adopted and amended by the City of Santa Barbara in Chapter 22.04 of this Code.

4. An exception to any requirement of this subsection may be granted by the Staff Hearing Officer or Planning Commission if the following requirements are met:

a. A licensed engineer has determined that compliance with the requirement cannot practically be accomplished and the applicant has included alternative measures to accomplish conservation equivalent to that which would be expected through compliance with the requirement;

b. The Public Works Director has reviewed the proposed exception and the proposed alternative measures and has concurred that equivalent conservation is likely to be accomplished as a result thereof. Measures proposed as alternatives to the water conservation requirements of this subsection may include, but are not limited to, installation of privately owned sub-meters on each dwelling unit, conversion of existing landscaped areas to conform with current standards for water conserving landscaping, and installation of additional separate City meters to serve groups of dwelling units.

E. PRIVATE STORAGE SPACE. Each unit shall have at least 200 cubic feet of enclosed weatherproofed and lockable private storage space, in addition to guest, linen, pantry, and clothes closets customarily provided. Such space shall be for the sole use of the unit owner. Such space shall be accessible from the garage or parking area for the units it serves.

F. LAUNDRY FACILITIES. A laundry area shall be provided in each unit; or if common laundry areas are provided, such facilities shall consist of not less than one automatic washer and dryer for each five units or fraction thereof.

G. CONDITION OF EQUIPMENT AND APPLIANCES. The applicant shall provide written certification to the buyer of each unit on the initial sale after conversion that any dishwashers, garbage disposals, stoves, refrigerators, hot water tanks, and air-conditioners that are provided are in working condition as of the close of escrow. At such time as the Homeowner's Association takes over management of the development, the applicant shall provide written certification to the Association that any pool and pool equipment and any appliances and mechanical equipment to be owned in common by the Association is in working condition.

H. PUBLIC EASEMENTS. The applicant shall make provisions for the dedication of land or easements for street widening, public access or other public purpose in connection with the project where necessary and in accordance with established planned improvements.

I. REFURBISHING AND RESTORATION. All main buildings, structures, fences, patio enclosures, carports, accessory buildings, sidewalks, driveways, landscaped areas, irrigation systems, and additional elements as required by the Staff Hearing Officer or Planning Commission shall be refurbished and restored as necessary to achieve high quality appearance and safety.

J. PARKING STANDARDS. The off-street parking requirements for a conversion project shall be one and one-half (1½) parking spaces per unit for one bedroom or efficiency units and two (2) parking spaces per unit for units containing two or more bedrooms.

K. PHYSICAL ELEMENTS. Any physical element identified in the Physical Elements Report as having a useful life of less than two (2) years shall be replaced.

L. OUTDOOR LIVING SPACE. Outdoor living space for a conversion project shall be provided as required in MC §28.21.081.

M. HANDICAPPED ACCESSIBILITY AND ADAPTABILITY. All conversions involving five or more units shall meet the accessibility and adaptability requirements of the State Housing and Community Development Commission.

N. EXCEPTIONS. The Staff Hearing Officer or Planning Commission may grant an exception to the physical standards set forth in Subsections A, E, F, J, L, and M of this Section if it makes any of the following findings:

1. The economic impact of meeting the standard is not justified by the benefits of doing so.
2. The project includes design features or amenities which offset the project's failure to meet the standard.
3. The project includes provisions for low-, or moderate-income sales restrictions on the converted units beyond what is otherwise required in this Chapter that offset the project's failure to meet the standard.
4. The project's proximity to public open space could partially offset the project's lack of on-site open space. (Ord. 5451, Section 5, 2008; Ord. 5380, 2005; Ord. 4716, 1991; Ord. 4606, 1989; Ord. 4000 §2, 1979.)

28.88.045 Conversions of Dwelling Units to Hotels or Similar Uses.

Conversion of existing dwelling units to hotels or similar uses in the R-4 Zone and zones in which R-4 uses are allowed shall be subject to all applicable Sections of this Chapter and of Chapter 28.21 of this Code. In addition, the following standards shall apply:

A. **LIGHTING.** All outdoor lighting shall be hooded or shielded so that no direct beams fall on adjacent property. When outdoor lighting is provided, indirect soft lighting and low garden lighting shall be used whenever possible, and shall be required as necessary to assure compatibility with adjacent and surrounding properties.

B. **PARKING.** Off-street parking shall be provided as required in Chapter 28.90 or Subsection 28.88.045.C.5 of this Chapter if applicable, subject to Subsection 28.88.120.I.4 of this Chapter.

C. **TIME SHARE PROJECTS.** If a proposed time share project retains kitchens in the individual units, they shall be subject to all physical standards under Section 28.88.040 of this Code. The conversion of a dwelling unit to a time share project, wherein the converted unit consists of a suite of no more than two (2) rooms and provides no individual kitchens or cooking facilities is exempt from the following Subsections of Section 28.88.040:

1. 28.88.040A. Unit Size;
2. 28.88.040D.1. Utility metering, if a water shut-off valve is provided for each unit or for each plumbing fixture in that unit;
3. 28.88.040E. Private Storage Space;
4. 28.88.040F. Laundry Facilities; and
5. 28.88.040J. Parking Standards, provided that there shall be provided one-and-one quarter (1¼) spaces for each unit. This requirement may be modified if the applicant can demonstrate that additional parking is not needed.

D. **USE OF AMENITIES - TIME SHARE PROJECTS.**

A provision shall be included in the "Declaration of Time Share Plan" or similar instrument restricting the use of the project or its amenities by individual owners/users of a unit to the period of the time share interval(s) or right-to-use. (Ord. 4716, 1991; Ord. 4606, 1989; Ord. 4199, 1983)

28.88.050 Application Requirements for Condominium and Time Share Conversions.

In addition to such other application requirements as the Staff Hearing Officer or Planning Commission may deem necessary and those requirements as set forth in Section 28.88.030 above, no application for a conversion to condominiums or time share projects shall be accepted for any purpose unless the application includes the following:

- A. A development plan of the project including:
1. The location, height, gross floor area, and proposed uses for each existing structure to remain and for each proposed new structure;
 2. The location, use, and type of surfacing for all open storage areas;
 3. The location and type of surfacing for all driveways, pedestrian ways, vehicle parking areas, and curb cuts;
 4. The location, height, and type of materials for walls or fences;
 5. The location of all landscaped areas, the type of landscaping, and a statement specifying the method by which the landscaped areas shall be maintained;
 6. The location and description of all recreational facilities and a statement specifying the method of the maintenance thereof;
 7. The location and size of the parking facilities to be used in conjunction with each unit;
 8. The location, type and size of all drainage pipes and structures depicted or described to the nearest public drain or watercourse;
 9. The location and type of the nearest fire hydrants;
 10. The location, type and size of all on-site and adjacent street overhead utility lines;
 11. A lighting plan of the project;
 12. Existing and proposed exterior elevations;
 13. The location of any provisions for any unique natural or vegetative features.
- B. A physical elements report which shall include but not be limited to:
1. A report detailing the condition and estimating the remaining useful life of each element of the project proposed for conversion: roofs, foundations, exterior paint, paved surfaces, mechanical systems, electrical systems, plumbing systems, including sewage systems, swimming pools, sprinkler systems for landscaping, utility delivery systems, central or community heating and air-conditioning systems, fire protection systems including automatic sprinkler systems, alarm systems, or standpipe systems, and structural elements. Such report shall be prepared by an appropriately licensed contractor or architect or by a registered civil or structural engineer other than the owner. For any element whose useful life is less than five (5) years, a replacement cost estimate shall be provided.
 2. A structural pest control report. Such report shall be prepared by a licensed structural pest control operator pursuant to Section 8516 of the Business and Professions Code.
 3. A building history report including the following:
 - a. The date of construction of all elements of the project;
 - b. A statement of the major uses of said project since construction;

- c. The date and description of each major repair or renovation of any structure or structural element since the date of construction. For the purposes of this subsection a "major repair" shall mean any repair for which an expenditure of more than \$1,000 was made;
- d. Statement regarding current ownership of all improvements and underlying land;
- e. Failure to provide information required by subsections a. through d., inclusive, shall be accompanied by an affidavit, given under penalty of perjury, setting forth reasonable efforts undertaken to discover such information and reasons why such information cannot be obtained. (Ord. 5380, 2005; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4000 §2, 1979.)

28.88.055 Application Requirements for Conversions to Hotels or Similar Uses.

In addition to such other application requirements as the Planning Commission may deem necessary and those requirements as set forth in Section 28.88.030 of this Code, no application for conversion of a building containing a dwelling unit to a hotel or similar use shall be accepted for any purpose unless the application includes a development plan of the project containing:

- A. The location, height, gross floor area, and proposed uses for each existing structure to remain and for each proposed new structure;
- B. The location and type of surfacing for all driveways, pedestrian ways, vehicle parking areas, and curb cuts;
- C. The location, use, and type of surfacing for all open storage areas;
- D. The location, height, and type of materials for walls or fences;
- E. The location of all landscaped areas, the type of landscaping, and any proposed changes thereto;
- F. The location and description of all recreational and other hotel-related facilities, and any proposed changes thereto;
- G. The location and size of the parking facilities to be used in conjunction with each guest room and other related uses on-site;
- H. A drainage plan for the site;
- I. A lighting plan of the project;
- J. Existing and proposed exterior elevations; and
- K. The location of and provisions for any unique natural or vegetative site features. (Ord. 4606, 1989; Ord. 4199, 1983.)

28.88.060 Additional Submittals for Conversions to Condominiums or Hotel Units.

A. A statement of any unique provisions of the proposed Covenants, Conditions and Restrictions which would be applied on behalf of any and all owners of condominium units within the project. With regard to stock cooperatives, this submission shall consist of a summary of proposed management, occupancy and maintenance policies on forms approved by the City Attorney.

B. Specific information concerning the characteristics of any conversion project, including but not limited to the following:

- 1. Square footage and number of rooms in each existing and proposed unit or guest room;
- 2. Rental rate history for each type of unit for previous five (5) years;
- 3. Monthly vacancy rate for each month during preceding two (2) years;
- 4. Makeup of existing tenant households, including family size, length of residence, age of tenants, and whether receiving federal or state rent subsidies;
- 5. Names and addresses of all tenants; and
- 6. Applications for conversion to time share projects shall include the length of every time share interval and maintenance period.

When the developer can demonstrate that such information is not available, this requirement may be modified by the Community Development Department.

C. The developer shall submit evidence that notification of intent to convert was sent to each tenant in accordance with Section 28.88.100.

D. Any other information which, in the opinion of the Community Development Department, will assist in determining whether the proposed project will be consistent with the purposes of this article. (Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4000 §2, 1979.)

28.88.070 Acceptance of Reports.

The final form of the Physical Elements Report and other documents shall be as approved by the Chief Building Official. The reports in their acceptable form shall remain on file with the Community Development Department for review by any interested persons. The report shall be referenced in the subdivision report to the Staff Hearing Officer or Planning Commission. (Ord. 5380, 2005; Ord. 4606, 1989; Ord. 4000 §2, 1979.)

28.88.080 Copy to Buyers.

The seller shall provide each purchaser of a condominium or time share unit with a copy of all reports (in their final, acceptable form), along with the Department of Real Estate Final Subdivision Public Report, when required, except the information required by Subsections B. and C. of Section 28.88.060, prior to the purchaser completing an escrow agreement or other contract to purchase a unit in the project, and the developer shall give the purchaser sufficient time to review the reports. Copies of the reports shall be made available at all times at the sales office and shall be posted at various locations, as approved by the City, at the project site. (Ord. 4716, 1991; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4000, 1979.)

28.88.090 Hearing.

A. **TENANT NOTICE.** Prior to action on the application, the Staff Hearing Officer or Planning Commission shall hold a hearing. Notice of the hearing shall be mailed at least ten (10) days prior to the hearing date to tenants of the proposed conversion and posted on the property. The public hearing notice shall include, in addition to the notice of the time and place of the public hearing, notification of the tenant's rights to appear and be heard.

B. **STAFF REPORT.** Any report or recommendation from the staff on a proposed tentative map for a residential condominium conversion submitted to the Staff Hearing Officer or Planning Commission or City Council on appeal shall be in writing and a copy shall be sent to the subdivider at least six (6) calendar days prior to any hearing or action on the map by the Staff Hearing Officer or Planning Commission and City Council. The subdivider shall be responsible for providing a copy of any such report to each tenant of the subject property at least three (3) days prior to any hearing or action on such map by the Staff Hearing Officer, Planning Commission or City Council. (Ord. 5380, 2005; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4000, 1979.)

28.88.100 Tenant Protection Provisions.

A. **NOTICE OF INTENT.** A notice of intent to convert shall be provided to each tenant a minimum of sixty (60) days prior to the filing of the application for Tentative Map approval. Notice shall be provided either by (i) personal delivery, or (ii) mailing the notice, postage prepaid, by certified letter with return receipt requested. Evidence of compliance with this Section shall be submitted with the application for conversion. The form of the notice shall be as approved by the Community Development Department and shall contain at a minimum the following:

1. Name and address of current owner;
2. Name and address of the proposed subdivider;
3. Approximate date on which the tentative map/conversion permit application is proposed to be filed;
4. Tenant's right to purchase condominium, if applicable;
5. Tenant's right of notification to vacate;
6. Tenant's right of termination of lease;
7. Statement of limitations on rent increase;
8. An explanation of all provisions made by the subdivider for special cases;
9. An explanation of all provisions made by the subdivider for moving expenses of displaced tenants;
10. Tenant's right to receipt of notice for each hearing and right to appear and be heard at any such hearing;

and

11. Other information as may be deemed necessary by the Community Development Department.

B. TENANT'S RIGHT TO PURCHASE.

1. As provided in Government Code Section 66427.1 (d) any present tenant or tenants of any unit shall be given an exclusive right to contract for the purchase of the unit occupied or equivalent unit at a price no greater than the price offered to the general public or terms more favorable to the tenant, whichever is less. The exclusive right to contract shall extend for at least ninety (90) days from the date of issuance of the Subdivision Public Report or commencement of sales, whichever date is later, unless the tenant gives prior written notice of his or her intention not to exercise the right.

2. In addition, the present tenant or tenants shall have the right of first refusal to purchase the unit occupied or equivalent unit at the same price as that offered by a buyer and accepted by the applicant, whenever such accepted price is lower than the price required to be offered to the tenant under Paragraph B.1 of this Subsection. The tenant must exercise the tenant's right of first refusal within forty-five (45) days of receipt of notice from the applicant.

3. If the tenant exercises his right to purchase under this Subsection, then the applicant is not required to provide moving expenses as outlined in Subsection G of this Section, except to the extent required by State law.

4. The manner in which any exclusive right to contract or right of first refusal shall be exercised shall be in accordance with regulations established by resolution of the City Council. This Subsection does not apply to conversions to hotels or similar uses.

C. **VACATION OF UNITS.** Each non-purchasing tenant, not in default under the obligations of the rental agreement or lease under which the unit is occupied, shall have not less than one hundred eighty (180) days from the date of approval of the conversion by the Staff Hearing Officer or Planning Commission or, if an appeal is filed, by the City Council, to find substitute housing and to relocate. Applicant shall give written notice of the approval containing an explanation of any and all conditions of approval which affect the tenants to each tenant within fifteen (15) days of the approval. Such notice shall be prepared in accordance with procedures established by resolution of the City Council setting forth the manner and contents of such notice.

D. **TENANT'S RIGHT OF TERMINATION OF LEASE.** Any present tenant or tenants of any unit shall be given the right to terminate their lease or rental agreement without penalty, following the receipt of the notification from the owner of the intent to convert.

E. **SPECIAL CASES.** For purposes of this Section, a "special case" tenant is one who is over age 62, handicapped, low income, a single parent with custody of minor children, or otherwise likely to experience difficulty finding suitable replacement housing. The subdivider shall afford special consideration to each "special case" tenant which special consideration, at a minimum, shall include the following:

1. Each "special case" tenant shall be allowed an additional period of time, not exceeding six (6) months beyond the period specified in Subsection C of this Section, in which to relocate.

2. A tenant with school age children shall not be required to vacate the unit prior to the end of the school year in which the one hundred eighty (180) day period specified in Subsection C begins to run.

F. **INCREASE IN RENTS.** From the date of approval of the application to convert until the date of conversion, no tenant's rent shall be increased more frequently than once annually nor at a rate greater than the rate of increase in the Consumer Price Index (all items, Los Angeles - Long Beach), on an annualized basis, for the same period. This limitation shall not apply if rent increases are provided for in leases or contracts in existence prior to the filing date of the application to convert.

G. **MOVING EXPENSES.** The subdivider shall provide moving expenses of one and one-half (1½) times the monthly rent or \$2000, whichever is greater, to any tenant who relocates from the building to be converted after approval of the condominium conversion by the City, except when the tenant has given notice of intent to move prior to receipt of notification from the subdivider of the intent to convert.

H. **NOTICE TO NEW TENANTS.** After the issuance of the Notification of Intent to Convert, any prospective tenants shall be notified in writing of the intent to convert prior to leasing or renting any unit and shall not be subject to the provisions of subsections B.2, F and G. The form of the notice shall be as approved by the Community Development Department, subject to Government Code Section 66452.8(b) and 66452.8(c). Failure by a subdivider to give such notice shall not be grounds to deny the proposed conversion. Further, the subdivider shall pay to each prospective tenant who becomes a tenant and who was entitled to such notice, and who did not receive such notice, an amount equal to the sum of: (1) actual moving expenses incurred when moving from the subject property, but not to exceed \$1000, and (2) the first month's rent on the tenant's new rental unit, if any, immediately after moving from the subject property, but not to exceed \$1000.

I. **NOTICE OF FINAL MAP.** Each of the tenants of the proposed condominium conversion shall be given written notification within ten (10) days of approval of a final map for the proposed conversion and proof of such notification shall be submitted to the Public Works Department.

J. **NOTICE OF DEPARTMENT OF REAL ESTATE REPORT.** Each of the tenants of the proposed condominium conversion shall be given written notification that an application for a public report will be, or has been submitted to the Department of Real Estate, and that such report will be available upon request. (Ord. 5380, 2005; Ord. 4716, 1991; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4086, 1980; Ord. 4000 §2, 1979.)

28.88.110 Effect of Proposed Conversion on the City's Low- and Moderate-Income Housing Supply.

A. If any of the units in the project have been "affordable rental units" for at least twenty-four of the previous forty-eight months preceding the conversion application, the application for condominium conversion may be approved only if a condition is imposed requiring that the same number and type of units in the project after conversion will be subject to a recorded affordability covenant placing maximum sales price limits on each such unit in accordance with the City's affordability criteria. For purposes of this Chapter, "affordable rental unit" shall be defined by resolution of the City Council. All units subject to this affordability restriction shall be owner-occupied, except as otherwise set forth by Council resolution. Any such units that are retained by the original owner and not sold shall be subject to affordable rental restrictions as defined by resolution of the City Council.

B. If the Staff Hearing Officer or Planning Commission determines that vacancies in the project have been increased for the purpose of preparing the project for conversion, the conversion shall be disapproved. In evaluation of the current vacancy level under this subsection, the increase in rental rates for each unit over the preceding five (5) years and the average monthly vacancy rate for the project over the preceding two (2) years shall be considered. (Ord. 5380, 2005; Ord. 4716, 1991; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4000 §2, 1979.)

28.88.120 Findings.

The Staff Hearing Officer or Planning Commission shall not approve an application for condominium conversion unless the Staff Hearing Officer or Planning Commission finds that:

A. All provisions of this Chapter are met and the project will not be detrimental to the health, safety, and general welfare of the community.

- B. The proposed conversion is consistent with the General Plan of the City of Santa Barbara or legally nonconforming with the density requirement of its Land Use Element.
- C. The proposed conversion will conform to the Santa Barbara Municipal Code in effect at the time the application was deemed to be complete, except as otherwise provided in this Chapter.
- D. The overall design (including project amenities) and physical condition of the conversion will result in a project which is aesthetically attractive, safe and of quality construction.
- E. If required by Subsection 28.88.110 A above, the proposed conversion has mitigated impacts to the City's low and moderate income housing supply through an agreement to record affordability control covenants on the specified number of units.
- F. The applicant has not engaged in coercive retaliatory action regarding the tenants after the submittal of the first application for City review through the date of approval. In making this finding, consideration shall be given to:
1. Rent increases at a rate greater than the rate of increase in the Consumer Price Index (all items, Los Angeles - Long Beach) unless provided for in leases or contracts in existence prior to the submittal of the first application for City review, or
 2. Any other action by applicant which is taken against tenants to coerce them to refrain from opposing the project. An agreement with tenants which provides for benefits to the tenants after the approval shall not be considered a coercive or retaliatory action.
- G. The owner has made a reasonable effort to assist those tenants wishing to purchase their units for purposes of minimizing the direct effect on the rental housing market created by relocating such tenants.
- H. The requirements of Section 28.88.130 have been met.
- I. The following additional findings shall be made by the Staff Hearing Officer or Planning Commission in order to approve conversions to hotels or similar uses:
1. The use will not be materially detrimental to the public peace, health, safety, comfort and general welfare and will not materially decrease property values in the neighborhood involved;
 2. The total area of the site and the setbacks and location of all facilities in relation to property and street lines are adequate in view of the characteristics of the site.
 3. The conversion will not have a significant adverse impact on the surrounding properties.
 4. Adequate access and off-street parking, including parking for guests and employees, are provided so that there is no adverse impact on the character of the public streets in the neighborhood. (Ord. 5380, 2005; Ord. 4716, 1991; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4014, 1979; Ord. 4000, 1979.)

28.88.130 Maximum Number of Conversions.

A. MAXIMUM NUMBER OF CONVERSIONS.

1. Annual Quota. The maximum number of conversions to condominiums to be approved during any calendar year shall not exceed the greater of:
 - a. fifty (50) units; or
 - b. the number of unassisted new dwelling units in two family and multiple family rental projects issued certificates of occupancy during the previous calendar year minus the number of dwelling units in two family and multiple family rental units to be demolished pursuant to permits issued in that same year.
2. In the event that the annual conversion quota determined pursuant to paragraph 1 of this Subsection A exceeds the aggregate number of units approved for conversion to condominiums during any year any excess shall be available in the following twelve (12) month period for conversions to hotels or similar uses only, after which time any remaining excess shall not be included in the annual conversion quota permitted for any following year.
3. A condominium project consisting of more dwelling units than the maximum number which can be approved in the applicable calendar year, may be approved for a phased conversion. The approval of a phased conversion shall specify the number of units which may be converted in each year (which number may not exceed the annual conversion quota for that year), and shall specify that the units approved for conversion in a given year shall have priority for conversion over units in other projects approved for conversion in that year.

B. **PROCESSING OF APPLICATIONS.** Applications shall be processed in accordance with procedures established by resolution of the City Council setting forth the manner and method of prioritizing applications for conversions.

C. EXCEPTIONS.

1. This section shall not be applicable to:
 - a. A project consisting of four (4) or less units.
 - b. A project as to which the tenants of more than fifty percent (50%) of the rental units have made a commitment to purchase their units.
 - c. A project involving conversions for a non or limited equity cooperative or condominium for low-to-moderate income residents.
 - d. A project involving the conversion of dwelling units which, at the time the application for condominium conversion was filed, were legally rented as hotel units.
 - e. A project involving conversions in which not less than 75% of the dwelling units are subject to the City's standard affordability controls. (Ord. 4716, 1991; Ord. 4606, 1989; Ord. 4199, 1983; Ord. 4014 §1, 1979; Ord. 4000 §2, 1979.)

STANDARDS AND PROCEDURES FOR PROCESSING APPLICATIONS FOR CONDOMINIUM CONVERSION PERMITS

**City of Santa Barbara
Community Development Department
August 1991**

A. Authority. The following standards and procedures are authorized by Section 28.88.130 of the Santa Barbara Municipal Code.

B. Application. An application to convert an apartment to a condominium, stock cooperative or community apartment may be filed with the Community Development Department no earlier than January 2 and no later than March 30 each year. An application shall not be deemed "filed" unless it is complete for all purposes. The Community Development Director is authorized to deem an application "complete" notwithstanding minor deficiencies.

C. Evaluation. As soon as possible after March 30, each application will be evaluated utilizing the evaluation system set forth in Attachment A. The results of that evaluation shall be set forth in a report to the Planning Commission; the report shall place each project in a rank order list according to the results of the point system evaluation. The Planning Commission may approve the report as presented or modify and thereafter approve it. The evaluation system set forth in Attachment A shall be used as a guide for analyzing the merits of proposed condominium conversion projects even when the number of units in projects which submit applications during the application period totals less than fifty (50) units.

D. Allocation. Following approval of the point evaluation report by the Planning commission, the Commission shall allocate the available conversions to the projects in the report according to the rank ordering. The allocation shall, insofar as practicable, occur at the same meeting as consideration of approval of the tentative subdivision map for the project.

E. Partial Allocation; Carryover. If a project is granted a partial allocation because it proposes for conversion a number of units in excess of the number allocated to that project, the balance of the units in that project shall be the first ranked units in the subsequent calendar year and the project shall not be subject to reevaluation. No provision of the ordinance or of these procedures shall be construed to guarantee that any such units carried forward to a subsequent year will be granted a conversion allocation in that year, inasmuch as there may be no allocation of conversions in that year due to lack of construction of rental units.

F. Projects Receiving No Allocation. Any project which fails to receive any conversion allocation in a given year shall be denied by the Planning Commission, without prejudice to reapplication in a subsequent year. Upon reapplication, the project shall again be subject to evaluation utilizing the point system.

G. Phased Projects. In order to allow opportunities for more than one project to be processed each year, projects involving more than twenty-five (25) units shall be phased such that no more than twenty-five (25) units shall be made available for sale in any year. Up to twenty-five (25) units shall be subtracted from the fifty units available annually for conversion until all of the project's units are accounted for. The Tentative Subdivision Map for the entire project would be approved at the time the project is approved for conversion of the initial twenty-five (25) units. The project would be conditioned to phase the conversion of the remaining units.

H. Tenant Notification of Project Approval. Sub-section 28.88.100.C of the Condominium Conversion Ordinance requires that all project tenants be notified of the project's approval within fifteen (15) days of the approval. If an appeal is filed on the Planning Commission's approval, notification will not be required until fifteen (15) days after approval of the project by the City Council. Prior to release of the notice, the contents shall be reviewed and approved by the Community Development Director or designee. The notice to the tenants shall include but not be limited to the following information:

1. A description of all proposed physical improvements to the project.
2. An explanation of all tenant protection provisions including, but not limited to, relocation provisions, notice required prior to vacation of the unit, and rental restrictions.
3. A preliminary schedule for construction and probable timing of any required tenant relocation.
4. An explanation of any and all provisions for tenant purchase of their unit or an equivalent one within the project.
5. Any other provisions contained in either the applicant's proposal or the conditions of approval that will potentially impact the tenants.

Chapter 28.43

CITY OF SANTA BARBARA INCLUSIONARY HOUSING ORDINANCE

Sections:

28.43.010	Purposes and Intent.	28.43.090	Inclusionary Housing Plan Processing.
28.43.020	Definitions.	28.43.100	Eligibility for Inclusionary Units.
28.43.030	Inclusionary Requirements.	28.43.110	Owner-Occupied Units; Sales Price; Long-Term Restriction.
28.43.040	Exemptions.	28.43.120	Adjustments and Waivers.
28.43.050	Incentives for On-Site Housing.	28.43.130	Affordable Housing Inclusionary Fund.
28.43.060	Affordable Housing Standards.		
28.43.070	In-Lieu Fees.		
28.43.080	Alternative Methods of Compliance.		

28.43.010 Purposes and Intent.

A. The purposes and intent of this Chapter, which shall be known as the “City of Santa Barbara Inclusionary Housing Ordinance,” are the following:

1. To encourage the development and availability of housing affordable to a broad range of Households with varying income levels within the City;
2. To promote the City’s goal to add affordable housing units to the City’s housing stock;
3. To increase the availability of housing opportunities for Middle Income and Upper-Middle Income households within the City limits in order to protect the economic diversity of the City’s housing stock, reduce traffic, commuting and related air quality impacts, and reduce the demands placed on transportation infrastructure in the region; and
4. To implement policies of the Housing Element of the General Plan which include: a. adopting an inclusionary housing program to meet the housing needs of those not currently served by City Housing and Redevelopment Agency programs; and b. encouraging the development of housing for first time home buyers, including moderate and Middle Income households. (Ord. 5310, 2004.)

28.43.020 Definitions.

As used in this Chapter, the following terms shall have the meaning and usage indicated below:

- A. **AFFORDABLE HOUSING POLICIES AND PROCEDURES.** The City’s Affordable Housing Policies and Procedures as adopted by the City Council of the City of Santa Barbara and amended from time to time.
- B. **AFFORDABLE HOUSING INCLUSIONARY FUND.** That special fund of the City established by the City as provided in Section 28.43.130.
- C. **AREA MEDIAN INCOME.** The median household income as provided in Section 50093(c) of the California Government Code, as it is currently enacted or hereinafter amended.
- D. **APPLICANT.** Any person, firm, partnership, association, joint venture, corporation, or any entity or combination of entities, which seeks City approvals for all or part of a Residential Development.
- E. **HOUSEHOLD.** One person living alone or two or more persons sharing residency whose income is considered for housing payments.
- F. **INCLUSIONARY HOUSING PLAN.** A plan for a residential development submitted by an Applicant as provided by Section 28.43.090(b).
- G. **INCLUSIONARY UNIT.** An Ownership Unit that must be offered to eligible purchasers (in accordance with eligibility requirements set by the City) at a City-approved affordable sale price according to the requirements herein.
- H. **MARKET-RATE UNIT.** An Ownership Unit in a Residential Development that is not an Inclusionary Unit.
- I. **MIDDLE INCOME HOUSEHOLD.** A Household whose income is between one hundred twenty percent (120%) and one hundred sixty percent (160%) of the Area Median Income, adjusted for household size.
- J. **OFF-SITE INCLUSIONARY UNIT.** An Inclusionary Unit that will be built separately or at a different location than the main development.
- K. **ON-SITE INCLUSIONARY UNIT.** An Inclusionary Unit that will be built as part of the main development.
- L. **OWNERSHIP UNIT.** A dwelling unit that may be sold separately under the requirements of the State Subdivision Map Act. For purposes of this Chapter, a dwelling unit may be designated as an Ownership Unit whether or not it is rented by the owner thereof. The following shall be considered to be a single Ownership Unit: 1. a dwelling unit together with an attached Secondary Dwelling Unit approved under Chapter 28.94, or 2. a dwelling unit together with an additional dwelling unit on the same lot approved under Chapter 28.93 of the City’s Municipal Code.

M. RESIDENTIAL DEVELOPMENT. The proposed development of any single family, duplex or condominium Dwelling Units in residential or mixed use developments requiring a tentative subdivision map under the City's Subdivision Ordinance. Residential Development shall include the conversion of rental housing to condominiums or similar uses as described in Chapter 28.88 of this Municipal Code.

N. RESIDENTIAL LOT SUBDIVISION. The subdivision of land into individual parcels where the application to the City for the subdivision approval does not include a concurrent request for City design approval of the residential dwelling units or homes to be constructed upon on such lots.

O. TARGET INCOME. A number, expressed as a percentage of Area Median Income, used in calculating the maximum sale price of an affordable housing unit. It is the household income to which the unit is targeted to be affordable.

P. UNIT SIZE. All of the usable floor area within the perimeter walls of a dwelling unit, exclusive of open porches, decks, balconies, garages, basements, cellars that extend no more than two (2) feet above finished grade, and attics that do not exceed a floor-to-ceiling height of five (5) feet.

Q. UPPER-MIDDLE INCOME HOUSEHOLD. A Household whose income is between one hundred sixty percent (160%) and two hundred percent (200%) of the Area Median Income, adjusted for household size. (Ord. 5380, 2005; Ord. 5310, 2004.)

28.43.030 Inclusionary Requirements.

A. GENERAL REQUIREMENTS.

1. **Developments of Ten (10) or More Units.** For all Residential Developments of ten (10) or more dwelling units, at least fifteen percent (15%) of the total units must be constructed and offered for sale as Inclusionary Units restricted for owner-occupancy by Middle Income Households or, in the case of Residential Lot Subdivisions for the construction of single family homes, by Upper-Middle Income Households as specified herein.

2. **Developments of Less Than Ten (10) Units But More Than One Unit – Payment of an In-Lieu Fee.** For all Residential Developments of less than ten units and more than one unit, the Applicant shall, at the Applicant's election, either provide at least one unit as an owner-occupied Middle Income restricted Unit, or pay to the City an in-lieu fee equal to five percent (5%) of the in-lieu fee specified by Section 28.43.070B herein, multiplied by the total number of dwelling units of the Residential Development; provided, however, that for those Residential Developments which are not a condominium conversion project (as defined by SBMC Chapter 28.88) and which propose to construct two (2) to four (4) dwelling units, the required in-lieu fee shall equal five percent (5%) of the in-lieu fee specified by Section 28.43.070B herein multiplied by the number of units in the Residential Development which exceed one dwelling unit.

B. RESIDENTIAL LOT SUBDIVISIONS.

1. **Subdivisions of Ten or More Parcels.** For all Residential Lot Subdivisions where the lots to be approved would permit the eventual development of ten (10) or more Dwelling Units, the Applicant shall pay an in-lieu fee corresponding to fifteen percent (15%) of the number of Dwelling Units that might eventually be built on the lots, or the Applicant may propose an alternative means of compliance with this Chapter pursuant to Section 28.43.080 below.

2. **Subdivisions of Less Than Ten Parcels.** For all Residential Lot Subdivisions where the real property parcels to be approved would result in the eventual development of less than ten (10) Dwelling Units but more than one (1) Dwelling Unit, the Applicant shall, at the Applicant's election, either provide that one Dwelling Unit will be constructed as an owner-occupied Middle Income Household restricted Unit, or pay an in-lieu fee corresponding to five percent (5%) of the in-lieu fee specified by Section 28.43.070B multiplied by the number of Dwelling Units that might eventually be built as part of the subdivision. At the option of the Applicant, the Applicant may propose an alternative means of compliance with this Chapter pursuant to Section 28.43.080 below.

C. EXISTING DWELLING UNITS. Existing Ownership Units that are to be retained shall be included in the number of units in the Residential Development for purposes of calculating the number of Inclusionary Units required under this Section; however, the number of such existing units to be included in the calculation shall not exceed the number of proposed new Ownership Units to be added.

D. DENSITY BONUS UNITS. Any additional owner-occupied units authorized and approved as a density bonus under the City's Affordable Housing Policies and Procedures will not be counted in determining the required number of Inclusionary Units.

E. ROUNDING. In determining the number of Inclusionary Units required by this Section, any decimal fraction less than 0.5 shall be rounded down to the nearest whole number, and any decimal fraction of 0.5 or more shall be rounded up to the nearest whole number.

F. PRICE LIMITS FOR INCLUSIONARY UNITS. Inclusionary Units must be restricted for sale at affordable prices as follows:

1. Except as provided in the following subsections, Inclusionary Units must be restricted to and sold at prices affordable to Middle Income Households, calculated according to procedure specified in the City's Affordable Housing Policies and Procedures [applicable as of the date of Planning Commission's approval] using a Target Income of one hundred twenty percent (120%) of the then current Area Median Income.

2. The Community Development Director may approve a Target Income of one hundred thirty percent (130%) of Area Median Income for Inclusionary Units built as duplexes, or exceptionally large condominiums, in accordance with the City's Affordable Housing Policies and Procedures.

3. Inclusionary Units built as detached single family homes, each on its own separate lot, must be restricted to and sold at prices affordable to Upper-Middle Income Households, with sale prices calculated according to the procedure specified in the City's Affordable Housing Policies and Procedures using a Target Income of one hundred sixty percent (160%) of Area Median Income.

4. Nothing herein shall preclude an Applicant/Owner from voluntarily agreeing to restrict the Inclusionary Units for sale to very-low, low or moderate income households at the Target Incomes specified for such income categories in the City's Affordable Housing Policies and Procedures.

G. **COMBINING RESIDENTIAL DEVELOPMENTS.** If two proposed Residential Developments that share a common boundary are under development review by the City simultaneously, such developments will be treated under this Chapter as if they were combined for purposes of determining the number of Inclusionary Units or Inclusionary Lots required under this Chapter, provided they are proposed by the same Applicant or by joint Applicants which share a substantial legal commonality of ownership and control. Applicants which are related partnerships or corporations will be deemed to share a substantial commonality of ownership and control if more than sixty percent (60%) of the natural persons who are general partners are the same for each partnership or, in the case of corporate ownership, the applicant individual or entity controls sixty percent (60%) of more of the voting stock or shares of each corporation. (Ord. 5488, 2009; Ord. 5310, 2004.)

28.43.040 Exemptions.

A. **PROJECTS EXEMPTED FROM INCLUSIONARY REQUIREMENTS.** The requirements of this Chapter shall not apply to the following types of development projects:

1. **Rental Units.** A project constructing Dwelling Units which may not be separately owned, transferred, or conveyed under the state Subdivision Map Act.

2. **Casualty Reconstruction Projects.** The reconstruction of any residential units or structures which have been destroyed by fire, flood, earthquake or other act of nature, which are being reconstructed in a manner consistent with the requirements of Santa Barbara Municipal Code Section 28.87.038.

3. **Voluntarily Affordable Projects.** Residential Developments which propose that not less than thirty percent (30%) of the units of the development will be deed restricted for occupancy by families qualifying as Upper Middle Income (or lower income) households pursuant to and in accordance with the City's Affordable Housing Policies and Procedures. (Ord. 5488, 2009; Ord. 5310, 2004.)

28.43.050 Incentives for On-Site Housing.

A. **PROVIDING UNITS ON-SITE.** An Applicant for a Residential Development of ten or more dwelling units who elects to satisfy the inclusionary housing requirements of this Chapter by producing owner-occupied Inclusionary Housing units on the site of a Residential Development shall be entitled to a density bonus for the number of Inclusionary Units to be provided on-site, in accordance with the City's density bonus program for owner-occupied units as described in the City's Affordable Housing Policies and Procedures without the need for the Applicant to separately apply for a lot area modification for the density bonus.

B. **USE OF ZONING ORDINANCE MODIFICATIONS.** The City may provide modifications in zoning requirements that will facilitate increased density for the purpose of accomplishing the goals of this Chapter, including modifications to parking, setback, yard area, open space and solar access requirements as specified in Section 28.92.110 of this Municipal Code. (Ord. 5488, 2009; Ord. 5380, 2005; Ord. 5310, 2004.)

28.43.060 Affordable Housing Standards.

A. **CONSTRUCTION STANDARDS FOR INCLUSIONARY UNITS.** Inclusionary Units built under this Chapter must conform to the following standards:

1. **Design.** Except as otherwise provided in this Chapter, Inclusionary Units must be dispersed evenly throughout a Residential Development and must be comparable in construction quality and exterior design to the Market-Rate Units constructed as part of the Development. Inclusionary Units may be smaller in aggregate size and may have different interior finishes and features than Market-Rate Units so long as the interior features are durable, of good quality and consistent with contemporary standards for new housing.

2. **Size.** The average number of bedrooms in the Inclusionary Units must equal or exceed the average number of bedrooms in the Market-Rate Units of the Development. Absent a waiver from the Community Development Director, two-bedroom Inclusionary Units shall generally have at least one and one-half bathrooms, and three-bedroom Inclusionary Units shall generally have at least two bathrooms. However, the required number of bathrooms shall not be greater than the number of bathrooms in the Market-Rate Units. The minimum Unit Size of each Inclusionary Unit shall be in conformance with the City's Affordable Housing Policies and Procedures.

3. **Timing of Construction.** All Inclusionary Units must be constructed and occupied concurrently with or prior to the construction and occupancy of Market-Rate Units of the Development. In phased developments, Inclusionary Units may be constructed and occupied in proportion to the number of units in each phase of the Residential Development.

4. **Duration of Affordability Requirement.** Inclusionary Units produced under this Chapter must be legally restricted to occupancy by Households of the income levels for which the units were designated pursuant to and in conformance with the City's Affordable Housing Policies and Procedures. (Ord. 5310, 2004.)

28.43.070 In-Lieu Fees.

A. **PAYMENT OF IN-LIEU FEE TO CITY.** The requirements of this Chapter may also be satisfied by paying an in-lieu fee to the City for deposit into the City's Affordable Housing Inclusionary Fund as such fund is provided for in Section 28.43.130.

B. **CALCULATION OF IN-LIEU FEE.** The in-lieu fee for each required Inclusionary Unit that is not constructed on-site will be calculated as of the date of Planning Commission final approval in a manner sufficient to make up the monetary difference between the following: 1. the Estimated Production Cost of a two-bedroom condominium unit in the City as defined in this Section, and 2. the price of a two-bedroom dwelling unit affordable to a Low-Income Household calculated according to the procedure specified in the City's Affordable Housing Policies and Procedures for a two-bedroom unit. The target income for this calculation shall be seventy percent (70%) of Area Median Income, and the housing-cost-to-income ratio for this calculation shall be thirty percent (30%). The Estimated Production Cost shall be deemed to be the median sale price of two-bedroom condominium units in the City less a fifteen percent (15%) adjustment to reflect an Applicant/Developer's anticipated profit. The median sale price of two-bedroom condominium units in the City shall be established by the City Council, based on data provided by the Santa Barbara Association of Realtors or other source selected by the City Council, for sales during the four most recent calendar quarters prior to the calculation. The City Council may annually review the median sale price of two-bedroom condominium units in the City, and may, based on that review, adjust the in-lieu fee amount.

C. **PRORATING.** If the calculation for the required number of Inclusionary Units as provided in Section 28.43.030 results in a fraction of a unit, the amount of in-lieu fee for such fractional unit shall be prorated.

D. **REDUCTION OF IN-LIEU FEE FOR SMALLER UNITS.** For Residential Developments, the amount of the in-lieu fee shall be reduced where the average Unit Size of the Market-Rate Units is less than 1700 square feet, according to the following:

1. If the average Unit Size of the Market-Rate Units is between 1,400 and 1,699 square feet, the in-lieu fee shall be reduced by fifteen percent (15%).
2. If the average Unit Size of the Market-Rate Units is between 1,100 and 1,399 square feet, the in-lieu fee shall be reduced by twenty percent (20%).
3. If the average Unit Size of the Market-Rate Units is between 800 and 1,099 square feet, the in-lieu fee shall be reduced by twenty-five percent (25%).
4. If the average Unit Size of the Market-Rate Units is below 800 square feet, the in-lieu fee shall be reduced by thirty percent (30%).

E. **TIMING OF PAYMENT OF IN-LIEU FEE.** The timing of payment of the in-lieu fee varies according to the type of development and the number of units to be developed, as follows:

1. **New Construction of Five or More Units.** For new construction of five or more dwelling units, the in-lieu fee shall be paid prior to the issuance of a building permit for the Development; for phased-construction developments, payment of the applicable in-lieu fees shall be made for each portion of the Development prior to the issuance of a building permit for that phase of the Development. In the event that the Applicant/Developer intends to pay the in-lieu fee from proceeds of a bank construction loan, and such bank requires the issuance of a building permit prior to funding the construction loan, the Applicant/Developer may request that the Community Development Director issue the building permit prior to payment of the fee. The Community Development Director may approve such request provided the Applicant/Developer agrees in writing that the fee will be paid within ten (10) days after the issuance of the building permit, and further agrees that the building permit will be deemed revoked by the City and work undertaken pursuant to the building permit stopped if the in-lieu fee is not paid within such ten-day period.

2. **Condominium Conversions.** For condominium conversions, payment of the in-lieu fee shall be made prior to recordation of the Final Subdivision Map.

3. **Residential Lot Subdivisions.** For Residential Lot Subdivisions, payment of the in-lieu fee shall be made prior to recordation of the Final Subdivision Map.

4. **Residential Developments of Four Units or Less.** For Residential Developments of four units or less which are subject to this Chapter and which elect to pay an in-lieu fee under the requirements of this Chapter, the in-lieu fees shall be paid to the City prior to the issuance of a Certificate of Occupancy by the Chief Building Official of the City.

F. **DELAYED PAYMENT.** When payment is delayed, in the event of default, or for any other reason, the amount of the in-lieu fee payable under this Section will be based upon the greater of the fee schedule in effect at the time the fee is paid or the fee schedule in effect at the time of Planning Commission approval. (Ord. 5488, 2009; Ord. 5310, 2004.)

28.43.080 Alternative Methods of Compliance.

A. **ALTERNATIVE METHODS OF COMPLIANCE - APPLICANT PROPOSALS.** An Applicant, at the Applicant's option, may propose an alternative means of compliance with this Chapter by submitting to the City an Inclusionary Housing Plan prepared in accordance with the following alternative compliance provisions:

1. **Off-Site Construction.** All or some of the required Inclusionary Units may be constructed off-site if the Planning Commission (or the City Council on appeal) finds that the combination of location, unit size, unit type, pricing, and timing of availability of the proposed off-site Inclusionary Units would provide equivalent or greater benefit than would result from providing those Inclusionary Units on-site as might otherwise be required by this Chapter. Prior to the recordation of the Final Subdivision Map for the Residential Development subject to the inclusionary requirements of this Chapter, the Applicant shall post a bond, bank letter of credit, or other security acceptable to the Community Development Director, in the amount of the in-lieu fee per Section 28.43.070, which the City may call and may deposit in the Affordable Housing Inclusionary Fund and may spend in accordance with the terms of that Fund in the event that the off-site inclusionary units are not completed (as evidenced by the issuance of a certificate of occupancy for such units) according to the schedule stated in the Inclusionary Housing Plan submitted by the Applicant and prior to the completion and occupancy of the Residential Development.

2. **Dedication of Land For Affordable Housing Purposes.** In lieu of building Inclusionary Units on or off-site or the payment of in-lieu fees, an Applicant may choose to dedicate land to the City [or a City-designated non-profit housing developer] under circumstances where the land is suitable for the construction of Inclusionary Units and under circumstances which the Planning Commission (or the City Council on appeal) reasonably has determined to be of equivalent or greater value than would be produced by applying the City's current in-lieu fee to the Applicant's inclusionary housing obligation.

3. **Combination of Approaches.** The Planning Commission (or the City Council on appeal) may accept any combination of on-site construction, off-site construction, in-lieu fees and land dedication which, in the Planning Commission's or City Council's determination, would provide equivalent or greater benefit than that which might result from providing Inclusionary Units on-site.

B. **DISCRETION OF PLANNING COMMISSION OR CITY COUNCIL.** The Planning Commission (or the City Council on appeal) may approve, conditionally approve or reject any alternative proposed by an Applicant as part of an Affordable Housing Plan. Any approval or conditional approval must be based on a finding that the purposes of this Chapter would be better served by implementation of the proposed alternative. In determining whether the purposes of this Chapter would be better served under the proposed alternative, the Planning Commission (or the City Council on appeal) should consider the extent to which other factors affect the feasibility of prompt construction of the Inclusionary Housing Units, such as site design, zoning, infrastructure, clear title, grading and environmental review. (Ord. 5310, 2004.)

28.43.090 Inclusionary Housing Plan Processing.

A. **GENERALLY.** The submittal of an Inclusionary Housing Plan and recordation of an approved City affordability control covenant shall be a pre-condition on the City approval of any Final Subdivision Map, and no building permit shall be issued for any Development to which this Chapter applies without full compliance with the provision of this Section. This Section shall not apply to exempt projects or to projects where the requirements of the Chapter are satisfied by payment of an in-lieu fee under Section 28.43.070.

B. **INCLUSIONARY HOUSING PLAN.** Every residential development to which this Chapter applies shall include an Inclusionary Housing Plan as part of the application submittal for either development plan approval or subdivision approval. No application for a tentative map, subdivision map, or building permit for a development to which this Chapter applies may be deemed complete until an Inclusionary Housing Plan is submitted to and approved by the Community Development Director as being complete. At any time during the formal development review process, the Community Development Director may require from the Applicant additional information reasonably necessary to clarify and supplement the application or determine the consistency of the Project's proposed Inclusionary Housing Plan with the requirements of this Chapter.

C. **REQUIRED PLAN ELEMENTS.** An Inclusionary Housing Plan must include the following elements or submittal requirements:

1. The number, location, structure (attached, semi-attached, or detached), and size of the proposed Market-Rate and Inclusionary Units and the basis for calculating the number of Inclusionary Units;
2. A floor or site plan depicting the location of the Inclusionary Units and the Market-Rate Units;
3. The income levels to which each Inclusionary Unit will be made affordable;
4. The methods to be used to advertise the availability of the Inclusionary Units and select the eligible purchasers, including preference to be given, if any, to applicants who live or work in the City in conformance with the City's Affordable Housing Policies and Procedures;
5. For phased Development, a phasing plan that provides for the timely development of the number of Inclusionary Units proportionate to each proposed phase of development as required by Section 28.43.060.A.3 of this Chapter;
6. A description of any modifications as listed in Section 28.92.110 that are requested of the City;
7. Any alternative means designated in Section 28.43.080.A proposed for the Development along with information necessary to support the findings required by Section 28.43.080.B for approval of such alternatives; and

8. Any other information reasonably requested by the Community Development Director to assist with evaluation of the Plan under the standards of this Chapter.

D. AFFORDABILITY CONTROL COVENANTS. Prior to issuance of a grading permit or building permit, whichever is requested first, a standard City affordability control covenant must be approved and executed by the Community Development Director, executed by the Applicant/Owners, and recorded against the title of each Inclusionary Unit. If subdivision into individual property parcels has not been finalized at the time of issuance of a grading permit or building permit, an overall interim affordability control covenant shall be recorded against the Residential Development, and shall be replaced by separate recorded affordability control covenants for each unit prior to issuance of a Certificate of Occupancy by the City for such units. (Ord. 5310, 2004.)

28.43.100 Eligibility for Inclusionary Units.

A. GENERAL ELIGIBILITY FOR INCLUSIONARY UNITS. No Household may purchase or occupy an Inclusionary Unit unless the City has approved the Household's eligibility, and the Household and City have executed and recorded an affordability control covenant in the chain of title of the Inclusionary Unit. Such affordability control covenant is in addition to the covenant required in Section 28.43.090 above. The eligibility of the purchasing household shall be established in accordance with the City's Affordable Housing Policies and Procedures and any additional eligibility requirements agreed upon in writing by the Applicant and the City.

B. OWNER OCCUPANCY. A Household which purchases an Inclusionary Unit must occupy that unit as a principal residence, as that term is defined for federal tax purposes by the United States Internal Revenue Code. (Ord. 5310, 2004.)

28.43.110 Owner-Occupied Units; Sales Price; Long-Term Restriction.

A. INITIAL SALES PRICE. The initial sales price of an Inclusionary Unit must be set in accordance with the City's Affordable Housing Policies and Procedures, using the Target Income requirements specified in this Chapter.

B. TRANSFERS AND CONVEYANCES. A renewal of the affordability controls covenant will be entered into upon each change of ownership of an Inclusionary Unit and upon any transfer or conveyance (whether voluntarily or by operation of law) of an owner-occupied Inclusionary Unit as such covenants are required in accordance with the City's Affordable Housing Policies and Procedures.

C. RESALE PRICE. The maximum sales price and qualifications of purchasers permitted on resale of an Inclusionary Unit shall be specified in the affordability control covenant and shall be in conformance with the City's then approved and applicable Affordable Housing Policies and Procedures. (Ord. 5310, 2004.)

28.43.120 Adjustments and Waivers.

A. ADJUSTMENTS AND WAIVERS. The requirements of this Chapter may be adjusted to propose an alternative method of compliance with this Chapter in accordance with Section 28.43.080 or waived (in whole or in part) by the City if the Applicant demonstrates to the Planning Commission (or the City Council on appeal) that applying the requirement of this Chapter would be contrary to the requirements of the laws of the United States or California or the Constitutions thereof.

B. TIMING OF WAIVER REQUEST. To receive an adjustment or waiver, the Applicant must make an initial request of the Planning Commission for such an adjustment or waiver and an appropriate demonstration of the appropriateness of the adjustment or waiver when first applying to the Planning Commission for the review and approval of the proposed Residential Development development plan or subdivision review as such review and approval is required by either Title 28 or Title 27 of the Santa Barbara Municipal Code.

C. WAIVER AND ADJUSTMENT CONSIDERATIONS. In making a determination on an application to adjust or waive the requirements of this Chapter, the Planning Commission (or the City Council on appeal) may assume each of the following when applicable: (i) that the Applicant is subject to the inclusionary housing requirement or in-lieu fee; (ii) the extent to which the Applicant will benefit from inclusionary incentives under Section 28.43.050; and (iii) that the Applicant will be obligated to provide the most economical Inclusionary Units feasible in terms of construction, design, location and tenure.

D. WRITTEN DECISION. The Planning Commission (or the City Council on appeal) will determine the application and issue written findings and a decision within sixty (60) days of the public hearing on the Adjustment/Waiver Request.

E. APPEAL TO THE CITY COUNCIL. Upon a decision by the Planning Commission on the proposed overall residential development plan, any action taken by the Commission made pursuant to a request for an adjustment for an alternative method of compliance under Section 28.43.080, or for a waiver pursuant to this Section, may be appealed to the City Council in accordance with the appeal procedures of Santa Barbara Municipal Code Section 1.30.050. (Ord. 5310, 2004.)

28.43.130 Affordable Housing Inclusionary Fund.

A. **INCLUSIONARY FUND.** There is hereby established a separate City Affordable Housing Inclusionary Fund ("Fund") maintained by the City Finance Director. This Fund shall receive all fees contributed under Sections 28.43.070 and 28.43.080 and may, at the discretion of the City Administrator, also receive monies from other sources.

B. **PURPOSE AND LIMITATIONS.** Monies deposited in the Fund must be used to increase and improve the supply of housing affordable to Upper-Middle, Middle, Moderate-, Low-, and Very Low-Income Households in the City and to ensure compliance of such Households with the City's Affordable Housing Policies and Procedures. Monies may also be used to cover reasonable administrative or related expenses associated with the administration of this Section, including, but not limited to, the City's purchase and resale of affordable housing units that are in default of the affordable control covenant recorded against that property, provided that the City shall, at all times, comply with the applicable provisions and requirements of the state Mitigation Fee Act, Govt. Code Sections 66000 - 66025.

C. **ADMINISTRATION.** The Fund shall be administered by the Community Development Director, who may develop procedures to implement the purposes of the Fund consistent with the requirements of this Chapter and any adopted budget of the City.

D. **EXPENDITURES.** Fund monies shall be used in accordance with the City's Housing Element, Redevelopment Plan, the City's Affordable Housing Policies and Procedures, or subsequent plan adopted by the City Council to construct, rehabilitate or subsidize affordable housing or assist other governmental entities, private organizations or individuals to do so. Permissible uses include, but are not limited to, assistance to housing development corporations, equity participation loans, grants, pre-home ownership co-investment, pre-development loan funds, participation leases or other public-private partnership arrangements. The Fund may be used for the benefit of both rental and owner-occupied housing in accordance with the applicable requirements of the state Mitigation Fee Act, Govt. Code Sections 66000 - 66025.

E. **COMMUNITY DEVELOPMENT DIRECTOR'S ANNUAL REPORT.** The Community Development Director, with the assistance of the City Finance Director, shall report annually to the City Council on the status of activities undertaken with the Fund. The report shall include a statement of income, expenses, disbursements and other uses of the Fund. The report should also state the number and type of Inclusionary Units constructed during that year. (Ord. 5488, 2009; Ord. 5310, 2004.)

APPENDIX F

SAMPLE CALCULATION OF MAXIMUM SALE PRICE – MIDDLE INCOME UNIT

The following table shows a sample calculation of the maximum sale price of a condominium unit targeted to 120% of the AMI (AMI = \$71,400 as of May, 2010)

MAXIMUM SALE PRICE FOR MIDDLE INCOME UNITS

Number of bedrooms:	1	2	3
Maximum income (% of AMI):	160%	160%	160%
Target income (% of AMI):	120%	120%	120%
Unit size multiplier factor:	0.75	0.9	1.0
Target income for affordability:	\$64,260	\$77,112	\$85,680
Housing cost/inc ratio for calc:	35%	35%	35%
Max payment for housing expenses:	\$1,874	\$2,249	\$2,499
Down payment used for calc:	10%	10%	10%
Mortgage interest used for calc:	5.50%	5.50%	5.50%
Association fees used for calc:	\$420	\$420	\$420
Property tax payments:	\$246	\$310	\$352
Mortgage payments:	\$1,208	\$1,519	\$1,727
Amt of loan this will amortize:	\$212,755	\$267,529	\$304,162
Plus down payment:	\$23,639	\$29,725	\$33,796
Maximum sale price (rounded):	\$236,400	\$297,300	\$338,000

For the purpose of determining the sales price the City uses an interest rate equal to the higher of the following two rates: (1) the average ten-year treasury constant maturity rate over the most recent 24 months, plus 200 basis points (2.0%), or (2) the prevailing rate charged by local institutional lenders on a zero point 30-year fixed rate mortgage at the time of final Planning Commission approval of the project

These calculations are intended as examples only; the parameters used in the calculations will be determined by the City on an annual basis.

The initial maximum sale price calculation is sensitive to changes in the interest rate of the mortgage financing and will also vary with changes in the AMI and homeowner association fees.